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PROCEEDINGS OF THE AGRICULTURAL EXPORT PROMOTION WORKSHOP

FOR REPRESENTATIVES
OF STATE
DEPARTMENTS
OF AGRICULTURE
AND
OTHER STATE AGENCIES

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UNITED STATES DEPARTMENT OF AGRICULTURE
Consumer and Marketing Service in cooperation with
Foreign Agricultural Service

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NOTE: Remarks of the speakers are their own and do not necessarily agree with the views of the U. S. Department of Agriculture.

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PROCEEDINGS OF THE AGRICULTURAL EXPORT PROMOTION WORKSHOP
FOR REPRESENTATIVES OF STATE DEPARTMENTS OF AGRICULTURE
AND OTHER STATE AGENCIES

United States Department of Agriculture
Jefferson Auditorium, Washington, D. C.
October 18-20, 1966

Sponsors:

CONSUMER AND MARKETING SERVICE
and
FOREIGN AGRICULTURAL SERVICE

TUESDAY - OCTOBER 18

The meeting was called to order at 9:15 a.m., David L. Hume, Assistant Administrator for Export Programs, Foreign Agricultural Service, United States Department of Agriculture, presiding.

MR. HUME: A good chairman makes about a ten-minute opening speech in which he spills all the beans of what is to follow in the program. I think I can tell you in just two or three sentences what everybody on this program is going to say in one way or another.

First, they are going to say that agricultural exports have been extremely important to farmers for the last 10 years.

Second, they are going to say they will be even more important in the future.

Third, they are going to say that we have a great obligation and opportunity to provide greater service in this field.

I do hope the program will give you at least an enhanced academic understanding of the export situation. We do have a wonderful program developed under the leadership of George Goldsborough and Jim Howard.

REMARKS OF EDWARD H. HANSEN, FEDERAL-STATE RELATIONS, OFFICE OF THE SECRETARY OF AGRICULTURE

MR. HANSEN: On behalf of the Federal-State Relations Staff, the Office of the Secretary, it gives me a great deal of pleasure to welcome you to this workshop.

This workshop should provide us a very excellent opportunity to sit down together, to hear about and discuss an increasingly important area of service activity, one in which the Federal Government has been engaged for many years and with which the States are becoming more concerned.

We all share a common goal: To better American agriculture, and the general welfare of all people. This is a very broad, "do good" objective, and we cannot disagree on that one at all.

It is good for us to keep an overall goal in front of us. It helps to make some of our short-term efforts more meaningful. So often in our individual efforts to accomplish a joint mission we get bogged down in needless conflicts. We spend valuable time, talent and money in wheel spinning.

This sad state of affairs can be traced back to improper or incomplete coordination. Coordination has always been a good keyword in any successful governmental program or any other kind of program. I think it is becoming even more so now that the demand for services seems to be increasing while resources of money and manpower become tighter.

The many services demanded these days require an effective coordination between the Federal, State and local government agencies if we ever hope to get the job done.

The quest for coordination has been compared to a search in medieval times for a philosopher's stone. This stone would have provided the key to the universe and solved all the problems of mankind. Well, we are not looking for any stone today, but I think we often try to work things out so everything will happen when we press a button--like when we press an elevator button, or dial the telephone--we know we are going to get a certain number.

As much as we might like to dream about it, there is simply no way of getting around the fact that effective coordination requires continuous hard work and understanding on the part of those who are involved in both the planning and the doing of joint endeavors.

In the next three days here, thanks to the combined efforts of many people in Federal, State and industry positions, we are going to have the opportunity to do more than talk about coordination.

You might say there are three underpinnings of coordination: One, a community of interests in a basic goal; two, an understanding of what needs to be done with a desire of each person involved to really want to work with someone else to have a successful program; and three, a sharing of facts and knowledge which must be brought to bear to get the job done.

If this workshop is successful, it might serve as a prototype for a similar get together to discuss other programs with Federal-State implications.

We hope you enjoy it and go back with a lot of good ideas.

REMARKS OF S. R. SMITH, ADMINISTRATOR, CONSUMER AND MARKETING SERVICE 1/

MR. SMITH: My function of appearing here this morning is to give physical evidence of the fact that I am happy that you folks are here.

I note that the work that has gone into preparing for this workshop has been extensive. It would be remiss on my part if at this point I did not express deep gratitude and appreciation to our fellow workers in the Foreign Agricultural Service for the effort and the energy that they have put into preparing for this session.

You have some excellent resource people that are going to be with you. I am sure that you would not have come here from all parts of the country if you were not ready and eager to participate in the discussions that you will have as the conference progresses.

So, on behalf of this organization that I have the honor and privilege of heading, the Consumer and Marketing Service, I want to extend to you my most hearty welcome and wish you every best endeavor in this undertaking of the conference that is now commencing.

REMARKS OF GEORGE H. GOLDSBOROUGH, DIRECTOR, MATCHING FUND PROGRAM, CONSUMER AND MARKETING SERVICE

MR. GOLDSBOROUGH: When we started thinking about this conference we though that we would be lucky if we had a registration of 15 or 20 people from about 12 States. But as it turned out, the preregistration was 64 people from 26 States, mostly State department of agriculture people. However, there are two State departments of economic development represented here. I would like to trace for a moment the events that led up to this workshop.

We in the Matching Fund Program first became aware of a budding interest in export markets in April 1962, when we were getting together with our National Marketing Service Workshop Program Planning Committee to plan a November 1962 meeting in Louisville. At that meeting, Jim Youngblood, from South Carolina, who has since passed away, said, "Why don't we discuss the potential of export outlets?"

The Committee took him up on it. So we set up one full day at Louisville, the following November, when mostly representatives from the Foreign Agricultural Service gave us a broad brush treatment on export outlets.

From that time to about May 1964, there was complete silence as far as I was concerned from the States on export outlets.

Then in May 1964, we got our first proposal for a matching fund project in the export field from the State of Michigan. It was a very small project, but it was a beginning. It was our first experience. So we put our Advisory Committee, composed of State people, to work right away hammering out some policies as to just what kinds of things we could, in good conscience, support with Federal matching funds in the export field.

1/ S. R. Smith retired.

But since that time, until now, some 20 to 24 States have expressed interest in matching fund projects in the export field, and Michigan plus six more have initiated such projects. These States are Florida, Virginia, Pennsylvania, Washington, Wisconsin and Oklahoma. All of these projects have been set up along the lines or within the confines of the policy set up by the State fellows on the Advisory Committee.

Now, a number of the States are doing export work with State funds. I suspect if we had someone to take an inventory of all the resources presently going into export work on the part of the States, it would add up to many millions of dollars and many hundreds of people.

It was as a result of this mushrooming interest that the participants of the National Marketing Service Workshop in Des Moines last year, adopted a resolution asking for a special workshop on export activities. As a consequence, Jim Howard, who was the FAS representative at the Workshop, agreed to discuss this with his superiors, and as a result you have this conference. I think that Jim Howard can be given credit as chief architect.

REMARKS OF JAMES O. HOWARD, DIRECTOR, TRADE PROJECTS DIVISION, FOREIGN AGRICULTURAL SERVICE

MR. HOWARD: I have just two points.

I thought it might be well to indicate how we structured this program.

After we get through these preliminaries this morning, we move into an effort to try to answer a simple question. Each person who appears on this program has been told this. Assume you are working for the department of agriculture out in one of the States and a would-be exporter comes to you and says, "How do I get into the export business?" -- what information do you have, we asked the speaker, to give this man.

So, after Mr. Beukenkamp speaks on the overall approach we get into the first question that this man asks, where do you find the markets?

Then this afternoon we go into a second question -- what help can I get from the Government?--and we try to outline some of the Government programs in helping promote exports.

By tomorrow morning we hope that you people from the States will be enough at home with us Washingtonians that you are ready to talk and to take the stage. So, we have a panel which will discuss what the States are doing on these problems. Then we have a report from the State people who were over at the Munich show.

In the afternoon, we go into the first part of our commodity sessions. This offers commodity-by-commodity answers to the question: "What can the Government do to help," and those of you who have primary interests in poultry would meet with our poultry people, and those in cotton would meet with our cotton people, etc.

After we have finished those sessions, we turn to what commercial interests can do to help, and we have a panel discussion with representatives of International banks, combination export managers, and steamship lines. We will wind up the last day with the old problem: How do you get the information that you need. That very briefly is the way this program is structured.

MR. HUME: REMARKS ON P.L. 480

It has been only in recent years that the Department of Agriculture has placed what you might call prime or top level importance in the field of foreign agriculture. I think a lot of this emphasis came after the passage of Public Law 480. This brought into focus the tremendous contribution that the foreign field holds for domestic agriculture.

It was not until early in 1963 that the area of foreign agriculture really was emphasized, and there was established an Assistant Secretary for International Affairs within the organizational structure of USDA.

In foreign agriculture, we have quite a universe of programs that our next speaker is concerned with. There are four major programs carried on under Public Law 480. First would be the sale for foreign currency under Title I of the Act, which is the largest activity. The second one--our donations under Title II. These donations include programs that you have heard of: Food for work, donations for economic development, and donations for emergencies.

Under Title III there are various donation programs--food going to perhaps 120 countries through the avenues of the so-called voluntary agencies, such as CARE, Catholic Relief, Jewish organizations, Lutheran organizations, Church World Services, and many others.

Also under Public Law 480 is Title IV, which has two sections: Sales for long-term dollar credit, and sales between private traders. It is also the foreign currency resources generated under Public Law 480 that provide for the operation of the Foreign Market Development Program. And you will hear a good deal more about that as we go along.

Also we now have a service known as the International Agricultural Development Service in USDA. This is an organization that develops resource people to fuel the need for technical agricultural people in the development field. Many of these, of course, go to the AID agency for various kinds of aid programs. Many times I find that people are not aware of how important Public Law 480 is. But this is an interagency affair and an intergovernmental activity because the resources developed by Public Law 480 are of great importance to the Treasury Department, to the Bureau of the Budget, to the State Department, to the AID, and the military. Many of you might not know that our surplus agricultural commodities develop rather large quantities of resources in such places as Korea and South Vietnam which are used by our military forces for one program or another.

I am only skimming. The next speaker is deeply involved in all the programs of Public Law 480.

REMARKS OF ARTHUR MEAD, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS,
OFFICE OF THE SECRETARY OF AGRICULTURE

MR. MEAD: One of the reasons I believe I was asked by Jim Howard to participate this morning is the fact that I became an instant expert on trade fairs here a few weeks ago by attending the Munich Fair. This is the fair, in which we had the Hall of States. Seven States participated in the Trade Fair. Out of the good Midwest we had Minnesota, Michigan, and Illinois; out of the East we had Pennsylvania, New York, and Maine; and the South had Louisiana.

This was the first State participation in the trade fair operation. It looked very good to me. The subject of exports is very important. It's very high up on the list of interests of the Secretary and Under Secretary, and Mrs. Dorothy Jacobson, the Assistant Secretary for International Affairs.

We are very rapidly reaching the \$7 billion mark in exports. That's a mighty big figure. A few years ago it was a figure which we thought was five, ten, or twelve years off. One of the obvious contributions our exports make is our contribution to the balance of payments situation.

You have heard this over and over again, but balance of payments situation is real, and it is persistent. Agriculture has made a very large and very important plus in helping that situation in the past several years. Recently the Secretary made awards to some of our cooperators in Kansas City, recognizing that for three of our crops--feed grain, wheat, and soybeans--we had reached an annual export total of \$1 billion for each crop. Speaking of a billion dollars, I might throw out this statistic. Soon we will be hitting \$1 billion in our exports to Japan.

One other contribution that exports made is a turnaround of our major crop situation. Our surpluses are gone in our food crops, and now USDA is pleased to be making announcement for feed grains, wheat and other crops which will release more acres for greater production. Commercial and Food for Peace exports of the past few years, along with our production from those programs, have resulted in this very welcome turnaround.

One final observation which may be not so obvious, is that our operators in the Foreign Agricultural Service--the people who run the Market Development Program, the Trade Fairs, the trade projects, cooperative programs and so forth--and our State people are innovators. They are always trying to do something new. They are not satisfied to stand pat.

Our great Speaker, Sam Rayburn, was quoted once as saying that any old donkey can knock down a barn, but it takes a good carpenter to build one. I think we have a lot of good carpenters here, and I am looking forward to bigger and better barns for market development.

REMARKS OF R. L. BEUKENKAMP, ASSISTANT TO ASSISTANT ADMINISTRATOR, EXPORT
PROGRAMS, FOREIGN AGRICULTURAL SERVICE

DR. BEUKENKAMP: What is different about international trade? Let me ask the question: What is different about people in foreign lands? They mostly

speak languages "foreign" to us. They grew up in a different society from ours; have different customs; different taste and once we have added up all such differences--which makes traveling such a fascinating activity--we arrive at the conclusion that people anywhere are just people; men and women who want security and recognition; who love their children and want to eat, drink and sleep well after a good day's work.

What counts for people, applies to trade. Export trade is basically just trade as we know it within the borders of our great country, except that our products are sent abroad, by rail, ship or airplane and are marketed among foreigners, who as I just said--not only speak different languages--but also have different habits and a different taste, sometimes.

Just as our domestic market demands in export trade we need answers to a few basic questions. These are: (1) Where is my customer? (2) What does he want? (3) How do I get the product to him, and last but not least. (4) How do I arrange for adequate financing on terms which are competitive with those offered by exporters from other nations. In any trade the rule applies that in the last instance; "The customer is King."

One has to know how to go about export trade and first of all how to assess what is saleable abroad and what is not. This is a fascinating art--like piano playing it can be learned if one is eager enough to put his efforts in it.

Today the U. S. exports more than 400 separate agricultural products, from all 50 States to many countries around the world. This proves that there are many Americans who like and master the art of selling to a foreign market. Last year we exported for a total amount of \$6.7 billion, of which \$5.1 billion was in hard solid dollars.

We expect to export an even higher dollar value in 1966. Each one of you can contribute to this and to the health of our Nation's balance of payments--so important to the strength of our total economy.

The miracle of modern technology and the hard work of our able farmers have made our country into one of the most efficient agricultural producers. The story is simply that we are able to produce far more than we can consume ourselves and so we can offer for export the produce of one American acre out of every four acres.

But too many American businessmen are concentrating their sales efforts in just one part of the growing world market--our U. S. domestic market. In other words, our natural market expansion is not just at home, but abroad also. We have to consider the world market as one big supermarket and in which we have to ensure that our products find a place on the shelf, without the danger of being pushed from that shelf by competitors...from other exporting countries.

This we can do, together. That is to say, it can be done by our productive farmers, our businessmen--and this all in a governmental climate that encourages enterprise and promotes access to world markets. This is what our workshop is all about and each facet will be highlighted by expert speakers and panels. Let's have a bird's-eye view at export trade.

Start at the tail end and ask ourselves: Where is the market for a given product? Perhaps we have first of all to pay attention to the quality of our exportable product and here grading comes into play. We should never forget that market development begins at home and sometimes even right on the farm.

We need to know whether our product will find consumers who are ready to pay the price for our product by the time it is for sale in a store, be it in Japan, Europe, Lagos, Kuala Lumpur or anywhere else. To find the answer to these questions, we need market research.

Next, somebody will have to be able to tell us what it costs in financing, in inland freight, ocean freight, insurance, handling charges, import duties, and trade margins to put a given product in the hands of an importer in a foreign land. This will be discussed during our forum. Our commodity divisions, staffed with experts who are constantly in touch with foreign markets know pretty well where those markets for our products are.

Perhaps your product needs a special packaging adapted to the special taste and needs of foreign customers. Perhaps--as in the case of Asian markets--certain colors which symbolize danger, or death, or war, have to be changed to colors which stimulate sympathetic and happy associations.

Mr. Hinks will speak on "testing a market." We are fortunate to have such an expert with us today. Let's assume we have done this part of our homework. We now know that there is a foreign market for our product and we know where. The price is right, the quality is right, and our packaging is right. Now we have to do something to promote our product. Let me say right away that no product is promotable unless it can be sold to at least somebody without the aid of promotion. As the French say: Good wine always finds a customer.

By now, the greenhorn in export trade who never exported before, may throw his hands up in the air and exclaim: "Too complicated for me; I had better keep selling around the corner to fellow Americans, whose taste I know and who I can fully trust, and who speak English."

There is no reason for such despair. Many people in business and government, experts who make it their daily work and bread to be associated with the export business and with the development of markets, stand ready to help a person with an exportable product. To mention a few of these: Banks, chambers of commerce, freight forwarders, the commodity specialized trade cooperators, the combination export managers, the shippers, steamship lines, airlines, and last but not least, the State and Federal governmental agencies. Each of them is eager to help export more and to have all involved benefit from the healthy financial returns from export trade. We will, during our forum, hear experts in each of these fields.

We in the Foreign Agricultural Service have been very active in opening up new markets and developing existing markets around the world for more than a decade. We do this mostly in close cooperation with our "trade cooperators," nonprofit organizations such as the U. S. Feed Grains Council, the American Soybean Association, the Soybean Council of America, Inc., Institute of

American Poultry Industries, Great Plains Wheat, Inc., Western Wheat Associates, U.S.A., Inc., and 40 other such organizations.

These cooperators have offices or representatives in most of the important overseas markets. Association with these cooperators is the most logical approach to assure success for newcomers in export trade.

FAS organizes trade fairs around the world to give exporters a good opportunity to test their products, establish contacts with importers, agents and buyers. Our trade centers in London, Milan, and Tokyo are also available for product displays and trade contacts.

Mr. McClarren and Mr. Findlen will tell you about these facilities. Last month we participated in a Food Fair in Munich, Germany, in which 7 States had their own booths. You will be particularly interested to hear the results of this State participation. There is so much the Federal and State governments can do together. Business-government teamwork is opening new avenues for more effective marketing abroad. We are fortunate to have in our country such a fruitful working partnership.

I have just returned from a market survey in the Caribbean, a very small market compared to Europe or Japan. We discovered that pickled pig tails and pickled meat, split peas, dog food, feed concentrates and onions find a growing market. Several importers asked us to please give them the names of U. S. exporters for certain products, for which they saw a market but had no source of supply. That market, and other so-called "pocket markets" in the Middle East, Africa and Latin America, are too small for big exporters to pay attention to. But somebody may be able to build a solid and profitable export business in such areas.

In many instances the so-called "combination exporters" can be used to great advantage. Some exporters, because of the small product volume they handle, could advantageously use these combination exporters and that way build some good business. The rapidly developing container shipment business now enables the smaller exporter to have his product shipped from his door to the door of his customer abroad.

Let's not forget that a large part of our present world one day will become potential customers for our quality products. U. S. taxpayers spend a lot of money in the development of those countries, but few people seem to recognize the fact that with development comes increase in purchasing power and increase in demand for our quality products. Who would have dreamed 20 years ago that Japan would develop into our number one market for agricultural products? Or that Spain, poverty-stricken until only recent years, would emerge as one of our very good cash customers? Within the next 10 to 20 years a series of new export markets for our food products will develop. Are we ready?

One has only to visualize what will happen to the demand for many of our products once freer trade with the countries east of Western Europe, including Russia, develops. Hundreds of millions of consumers in that part of the world will start buying a wide variety of our products. Are we sufficiently export-minded to take advantage of the opening up of such new markets?

Nothing is worse in international trade than to have to say: "Sorry, I am out of stock." Except for our bulk commodities, this may be a weakness in American agricultural exports.

Our own market is so big that often the export market is only considered as a convenient outlet for the overflow production in a given year, or as a booster for domestic prices. Traditional exporting countries like Denmark, Holland, Australia, and New Zealand have to export or die. Their agricultural economies are geared to export. They produce for the export business and are keenly export-minded. Unless a producer in your State is ready to basically satisfy the demand of his customers abroad, he should not enter the export business at all. If so, he would only stimulate foreign buyers to eventually place their orders in another country more dependable in meeting delivery dates.

It was shocking to hear importers in the Caribbean complain that when they wrote to American and to European exporters for price quotations on products, the Europeans promptly answered and came forward with a "c.i.f." quotation. It seemed to be the custom of American exporters to first write back and ask what quantities the importer intended to import in the future, and more often than not, in a second letter state that they only could quote an f.o.b. price American port. This hampers trade promotion. This might be an indication that we are still less "export-hungry" than our competitors. You State representatives can do a world of good in stimulating the thought that exporting begins at the grass roots.

I mentioned before that it really is not all that difficult to enter into the export business because so many entities are ready to help the producer or processor to do the job and do it well. Selling has to be done by a salesman, here as well as abroad. The push has to come from the fellow who produces the product, ready for export. We should never forget what salesmanship is all about, be it in our home market or in international markets.

Basically, salesmanship is the process or the art of transplanting our own enthusiasm and conviction about our product into the head of a prospective customer. One must have the conviction and drive and the ability to face a prospective customer and convince him that it is in the customer's interest to buy.

For 6 years I was the international vice-president of sales of one of our large American machine companies. It was amazing how different the sales results of our salesmen were. All had the same products to sell, so why this wide spread in sales results? Some among them were "hard-sellers" and some "soft-sellers," but only those who believed in their product and understood the real art of selling were successful. Let me tell you a story of my own experience.

My company, in the late fifties, decided to introduce tenpin bowling in Europe, with automatic pinsetters and all. This was a rough sales proposition at the time, because only a few European investors could be found who were ready to even consider making an investment of around \$200,000 in a bowling establishment without knowing whether Europeans would go for the game.

After I had visited several times with a prospective customer in Germany and discussed with him the fact findings of our market research, all financial details, location, promotion, he looked straight in my eyes and asked the following question: "Mein Herr, I have heard and studied it all and it looks attractive, but...unless you can give me a satisfactory answer to the following basic question, I won't buy: What do you think will make Germans want to bowl?"

I had to think fast! A lot was at stake and how strange: I never before had asked myself that basic question, except knowing that bowling is fun and that a lot of Americans like it. If there is something like an angel protecting salesmen, she was with me that day. I answered: "Herr Docter...we live in a world in which everything is organized for us. Our tax return before a certain date. The traffic lights and traffic signs all over. Parking only at certain times of the day. Package deals on 'pay now, be buried later' and so forth. In bowling we see 10 pins standing on the pin deck, always exactly on the right black dot. What a delight for a good citizen to at last be able to throw that ball and make disorder out of order, with a bang. One can see that headpin either as his unpleasant boss, the policeman, tax collector or as his ugly wife and get rid of all the frustrations from all of these before returning home and have it all out of his system."

I made the sale! The lesson is know your product, know your market, know your customer, and know the right timing.

When I worked earlier in the grain trade in Holland, sometimes our elevator in Rotterdam was filled to the brim and sales were extremely slow. We would then ship our grain into the interior where we had small elevators and bring the product as close as we could to the end-user.

People buy when they have the product available, just as our wives often take a product from the shelf in the supermarket which they never had intended to buy. They saw it and they bought it.

Because of world food shortages during and after World War II, we may have gotten accustomed to customers around the world coming to us asking us to please sell to them. That era is over and unless we go after the export business with vigor, others will make the sales instead of us, to the detriment of our national interest.

Since this is a forum of State representatives, I feel I must honestly express one fact which may be somewhat questionable for some of you; and that is, that basically, no foreign customer is particularly interested whether a given product was produced in Oregon or in Florida, except when a certain product can be identified with a given State, such as California oranges, Washington apples, Wisconsin cheese, Michigan pea beans, New York onions, etc.

Unfortunately, most foreigners have trouble knowing, anyhow, where our States are located. They buy American products. I have no idea in which State of Germany the Volkswagen I drive has been manufactured and I could care less.

Where I see the strength of State involvement in the promotion of export trade is in bringing a producer of an exportable product in your State together with a customer abroad and helping him in various ways to develop his market. For example, only last year a producer of dried horseradish discovered that there was a German market for his product, which he has successfully developed.

There should be quite a few such "dormant" exportable products, which we have not yet dug up because of lack of knowledge of the export business. Sales mean production and profits, jobs and wages. To fall behind in competition for sales around the world is to lose opportunities for future economic growth. As custodians of our country's well being, we cannot afford to leave one stone unturned. Export business is not just products moving abroad and profits earned. It gives those involved in it the opportunity to look and travel beyond our own shores.

By meeting with people and cultures from foreign lands, one becomes a happier and more useful American with a broader horizon than one who stayed home to just merchandise around the corner.

DISCUSSION - MR. DON WILKINSON OF WISCONSIN: In the last few years we have seen quite a switch in our major markets. Could you give us a picture of where the major markets of the world are now?

DR. BEUKENKAMP: Our major single country market is Japan. Europe is the big market but is a market in movement. We don't know what the result of the polls of the common market will be. I believe that certain pocket markets in Latin American will open up. I personally believe once we get a de-freezing with Russia, an enormous market will open up for us everywhere between Vladivostok and Rotterdam. First you will export poultry and meat, and then the people will start producing it themselves. Then you will export wheat concentrates and corn, and so on.

HARRY KRADE OF CALIFORNIA: How do we assure ourselves of maintaining a market once we develop it? I am talking about California specialty crops. How do we assure ourselves the opportunity to continue?

DR. BEUKENKAMP: Once you are in a market and have opened the market at great expense, I think it is a matter of servicing or following up, of being alert to what the others are doing, of being modern and fast on your feet. If your quality is right and your price is right, there is no reason in the world why you would be kicked out of the market by anybody else. But let me give you an example. In the Caribbean what the Australians and New Zealanders do in that market it is unbelievable. Day in and day out the people have store promotion, fairs and so on. Is it worth our while to put all the money in? That is research. First you have to know whether it is worth your while to open the market. Once you have opened your market you have to keep running to keep it where it is and let it grow.

MR. HUME: Another thing to think about is dispersal. It is better to have your product in 10 or 15 markets and just develop it in a couple of easy places like Japan and Germany. I think dispersal is a principal that needs to

be looked at, because if you lose one or two you don't miss them so much.

DR. BEUKENKAMP: I really believe that too many Americans still have the idea that the world is eagerly waiting to be able to buy our products. It is because of the Marshall aid and all the things which have been imprinted in our head. We have to go after the business.

LEON MURPHY OF NEBRASKA: With regard to the European market, what is our greatest disadvantage in marketing our beef products?

DR. BEUKENKAMP: Our variety meats--hearts, lungs, and so on--are doing well. At the moment the price is rather high. I was brought up in Europe myself. My mother was just a general mother like any mother. She always taught me very strongly never to leave a thing on your plate. Europeans have an enormous resistance to cutting off fats and throwing fat away because they remember darn well that anything that was fat was very important. Suppose we start a business in exporting meat to Europe. Let's take cuts which are European cuts and take the fat off here. But I cannot find a slaughterhouse that does this. The day may come when we will have to export and will be surprised when the Europeans are not ready to buy our products. We can do a few things to help the situation. We can open a few steak houses in Europe and get taste changed little by little so that by the time we have need to export we are ready for it. This is export promotion.

LES DRIGGS OF NEW YORK: I suspect that the problems of the individual producer are not quality problems, or an inability to meet commitments over a period of time, but are rather problems of a lack of understanding of the red tape of entry requirements, currency negotiations, and export vocabulary. Is it feasible for someone to work with individual firms on these problems, or should our efforts be with the larger national agencies or associations?

DR. BEUKENKAMP: I would like your question to be different. We have a new product and we want to find out whether we can sell it in Lehe. Suppose it is a typical quality product produced in small quantities--maple syrup--and you are ready to maintain your export product quantity year after year. I think it would be best to get in touch with a combination exporter who would take this package piggyback. He takes this maple syrup, which to him is not big business, but he goes to Lehe anyway with the maple syrup. It may grow up into an enormous export trade--and I have seen examples of that. By that time the fellow knows enough about it to find his way himself and carry it from there. But those piggyback export manufacturers are eagerly looking for new products.

ROBERT THAYER OF WISCONSIN: Is it better to have a foreigner, a person of that country, selling a market or an American with all this knowledge?

DR. BEUKENKAMP: Two requisites for a good salesman: One, he has to believe in his product himself, and two, he has to master his art. But the most important thing is that the man believes in the product. If he has to have a lot of customers at the grassroots, housewives and so on he may run into trouble with language. If he only talks to a supermarket it may be sufficient to speak English. The other quality that is most important is conviction, and Americans have this in general more than Europeans.

MR. HUME: Former Secretary of Commerce Luther Hodges was before a group of businessmen, when one of them got up and said to him, "Mr. Secretary, I am selling commodity x overseas. The tariff is 100 percent. My labor cost to produce that item here is twice as much as it is in Europe. The interest that I have to pay on the money is higher. My transportation costs are eating me up. I have to give 90 days credit in order to compete with my creditors on an export sale that I don't really want. What should I do?" The Secretary thought a minute and said "Well, that is easy. You just keep selling. I don't want to hear about your problems."

This is in a sense what Dr. Beukenkamp is saying. To the good salesman, the export activity is a matter of going out and doing it and not being defeated by spending too much time thinking about the negative aspects of the problem.

Ladies and gentlemen, the next session of the program is going to feature two speakers on the subject "How does the new exporter find out where the markets are?"

In FAS, of course, we don't have anything to sell, and we are not in business. But we are trying to perform a service to stimulate people to take an interest in exports. One of the first things we think of is the purchasing power of the country. If you think in terms of India and what you could sell there commercially, and contrast that to what you could sell commercially in Germany, you will have the two extremes.

Take into account the fact that there is some market in every country of the world at some price for every U. S. agricultural commodity that is produced. The question is therefore what kind of volume can you expect.

I think another thing that was touched on this morning by Dr. Beukenkamp that we often fail to think about here is the domestic situation that is involved. I used to be in the poultry end of this business, and for a while I couldn't quite understand why there wasn't more enthusiasm among certain poultry plants and poultry salesmen for the foreign market. The answer came to me. It was that the domestic market was the lifeblood of that industry and still is. The poultry industry, I think, is selling something around 4 percent of the total output in the foreign market, and 96 percent of their output here at home. When you are dealing with that kind of a creature, you have to think of the influence of the domestic market on the short-term as well as the long-term prospects. Now, that doesn't mean that exports for some people aren't important to the extent of 50, 60, 70 percent of their business. But it does have a bearing on whether or not you should consider going into the export market.

Other things you should take a look at are the transportation systems involved, the freight rates and the whole range of ordinary things that enter into trade in the United States. There are other aspects: National polls which either can give you good access or prohibit you from access. You have all heard about the Common Market and the relation to some of our agricultural commodities. It is inhibited or in some case it has eliminated access. On the other hand, with some commodities we have virtual freedom and can supply markets on about the same basis as we can the domestic market.

REMARKS OF JOSEPH W. WILLETT, DEPUTY DIRECTOR, FOREIGN REGIONAL ANALYSIS
DIVISION, ECONOMIC RESEARCH SERVICE, U. S. DEPARTMENT OF AGRICULTURE

MR. WILLETT: The program says that my subject is "How the new exporter finds out where the markets are--a geographic appraisal."

It really looks to me like a large part of your time in the next 3 days is going to be devoted to finding out where the markets are. So, I have interpreted my assignment as that of giving you an overall broad picture of the foreign markets, into which broad picture I hope you will be able to fit some more details as you go through the rest of the program.

I should relieve the Foreign Agricultural Service of any responsibility for what I am going to say. I am going to crawl out on a limb and make some forecasts or projections in some detail. It is possible, as you go through the next 3 days, that somebody in the Foreign Agricultural Service who knows a lot about some of these things, may differ or disagree with what I will say. I don't think you ought to be greatly scandalized if it turns out that way. These things are very uncertain, and there is plenty of room for honest differences of opinion.

But we do work very closely with the Foreign Agricultural Service. For example, in one of our important research programs, the Foreign Agricultural Service provides the funds, and we supervise the preparation of detailed studies and forecasts of supply and demand for agricultural products in a large number of foreign countries. In most cases we have contracted with research organizations within the country being studied. A number of these studies have already been published, and in the package we have given you is one example, a study on Israel.

There are 32 in this series of studies which we have contracted. The projections which I am going to talk about in a few moments reflect the results of these studies.

I want to talk mainly about the commercial markets for our agricultural exports. But I want to discuss these markets in the context of the overall total agricultural export picture of the United States, and in the context of the world agricultural situation. So in that framework I can't entirely ignore what the editorial writers like to refer to as the "Malthusian specter."

Until very recently, a major emphasis of the export policy of the United States and the Department of Agriculture was the disposal of agricultural surplus, and, of course, we still have some surplus of some commodities. But the concern over surplus to some extent has been replaced by a concern over possible food shortages. The drought in India last year, the continued large imports of grain by the Communist countries, and the reduction of our grain stocks, have brought the world food problem into the headlines. As was mentioned, USDA has already taken action to increase the production of grain in the United States. But some people, and not just editorial writers, are asking the question--in the future will there be sufficient food to supply the rapidly expanding population of the world at acceptable levels of nutrition?

There are differences of opinion on the proper answer to this difficult question. To discuss the problems at all adequately would take far more time than I have available here. So for now I want to give you a very brief, summary generalization.

In my opinion, the answer to that question is yes, but probably not for the next 5-year period. Assuming a series of very unusual calamities do not occur, I think that mass starvation is not likely to be a big problem.

This answer is implicit in the projections which I am going to show you. Although I have answered yes to the question of will there be enough food to prevent starvation, this doesn't mean that there is room for complacency. Improvements in the diets of the people in the poor countries won't come about automatically. There have to be a lot of changes made. The United States, the President, and the Secretary of Agriculture, in various speeches, have been trying to tell the developing countries that they must place greater emphasis on agriculture in their development plans. And I think they probably will.

I will come back a little later to some aspects of the problems of the poor countries. Let's have a look at U. S. agricultural exports. The rapid increase in U. S. agricultural exports in the past decade had an important impact on world trade and on American agriculture. The value of U. S. agricultural exports increased to \$6.2 billion in 1965, and probably will increase substantially this year. We expect them to keep on increasing, to more than \$8 billion by 1970. In the United States most of our people are already eating pretty well, so that our domestic market for farm products expands only a little faster than the growth in population. But the demand for food is rising more rapidly in the rest of the world than it is in the United States, and exports have become the fastest growing outlet for U. S. farm products.

About a sixth of our total farm output now goes abroad. It was only about a tenth during 1952-54. We expect that agricultural exports will take a larger share of U. S. farm output as the years go on, at least for the rest of this decade.

Farm exports are now about a fourth of all U. S. exports, and this has helped in reducing the deficit in the balance of payments. Most of the increase in our agricultural exports in the past 4 years has taken place in the commercial markets. In 1965, about three-fourths of our agricultural exports were commercial, and three-fourths of these dollar sales went to the developed countries. For some commodities, such as soybeans, our domestic prices are fully competitive in world markets, and our commercial exports don't have to have any subsidies. For other commodities, such as wheat, rice and cotton, where we have held domestic prices higher than world prices, export subsidies in cash, payments in kind, or sales from government stocks are necessary to make these products competitive in world trade. About a fifth of our commercial exports did receive export payment assistance.

Under the Food and Agricultural Act of 1965, the price support for cotton, beginning with the 1966 crop, will be dropped to about world price levels, and export payments should decrease for that commodity.

Japan, Canada, and Western Europe are our leading markets. Sales to Japan are already approaching \$1 billion; we sold Canada about \$600 million in 1965; and Western Europe, about \$2.4 billion, of which \$1.5 billion went to the European Economic Community countries.

These markets should continue to be good outlets in the next decade. We expect the commercial market to be over \$6 billion by 1970, with sales to Japan the leading single market approaching \$1.5 billion. Exports to Western Europe should rise to about \$3.2 billion.

The demand for imports in less-developed nations is limited by low incomes and shortages of foreign exchange. The exports to these countries probably will increase somewhat in the rest of the decade, and our projections show an increase from \$1.7 billion in 1965 to \$2.1 billion in 1970. This will depend to a considerable extent on what Congress does finally about the Food for Freedom Bill--and that is not yet certain.

Someone said we are exporting about 400 different commodities, and I can discuss only a very limited number, but these are in total by far the most important of our commodities, as the mix of our agricultural exports has changed substantially in the past 15 years. In the 1940's and the early 1950's cotton was the leading dollar earner. But cotton has been in trouble, and our cotton exports have been declining, mainly because of increased competition from synthetics, and from cotton raised in other producing areas. The value of our cotton exports dropped nearly half from the early 1950's to 1965. Under the new cotton program we expect to recover some of this lost market. Wheat has been a leading export commodity in recent years, reflecting the increase in exports under P. L. 480. About 70 percent of the wheat exported in 1965 was on subsidized terms. We project some increase in our wheat exports to about \$1.5 billion in 1970.

Exports of feed grains, soybeans, and soybean products have increased very rapidly. Most of the rise in these exports has been in the commercial market without government subsidy, except for subsidies of soybean oil.

We think that exports of feed grains will continue to increase rapidly to about \$1.8 billion in 1970, which would make this group our leading export. And we expect also that exports of soybeans and their products will also increase so that they will stay almost up with feed grains through 1970.

These projections may not seem so remarkable to you, but we have put quite a bit of work into this analysis. What I have said may sound very much like what other people have said, but to publicly project in detail U. S. agricultural exports 5 years ahead of time requires a little courage and foolhardiness, because there are a lot of uncertainties behind such projections.

For example, some of the greatest uncertainties are those associated with the possible outcome of the Kennedy Round of tariff negotiations, which could have important effects on our commercial exports. And then we still have to see just what the Food for Peace Bill will be.

I don't want to be apologetic about these projections. I think they are the best available. They are relevant to the development programs for export promotion, and they ought to be taken seriously. One reason why they shouldn't be taken as predetermined, or entirely determined is that if they were, there wouldn't be much point in your being here attending this workshop.

About 2 years ago, in the Economic Research Service, we published one of our major publications, the World Food Budget, and we made projections to 1970. We have distributed a copy of this study to you. This study compared the requirements for food in the future--1970--with our projections of the availability of food. It is the most comprehensive, overall study of world food production, consumption, and need yet made, and it covered a lot of commodities and most of the major areas of the world. We have recently gone through an exercise of updating the projections in this study, and that is what I am giving you now--the result of our more recent analysis.

In looking at the demand for products we look at the rate of growth of population, levels of income, the rate of growth of income, and past relations between income and the demand for farm commodities. Then we project the probable increase in production of farm commodities in countries around the world. Our projections of exports take into account the net balance between our projections of supply and demand in other countries.

Let me give you an example of how we analyze a particular market. Let's take the Western Europe market for coarse grains. In this slide, the left bar shows the source of supply for Western Europe's coarse grains in 1964-65. The dotted line across the "other imports" section, represents the fact that about 1.5 million tons which normally went to Canada actually were in transit to Western Europe.

This slide shows how we make these kinds of projections to 1970, in terms of those factors which we expect to increase demand. In this case income growth and other economic factors were most important. Our analysis of the probable source of the increased supplies was that the domestic production and imports from the U. S. would supply about equal amounts of the increased demand.

We make quite a point in our analysis and projections of the distinction between the commercial markets which depend upon the growth of income as well as population and where price effects may be quite important--and the concessional markets--where food aid programs are of particular importance and where a major part of the growth in demand comes from growth in population.

As far as food aid is concerned, Congress will make overall decisions. In our projections, we have assumed that food aid will continue to make an important contribution to diet improvement and economic development in the less-developed countries. But one conclusion which has come out of the analysis of the overall food situation in the world, is that considering the size of the nutritional gap and the limitations on expanding food aid, and the chronic and probably continuing balance of payments problems in the poor countries, the food gap will eventually have to be filled largely within each country itself. It was within this context that the Food for Peace Act was presented to Congress,

the key feature of this act being an emphasis on self-help aimed to a very considerable extent at agricultural improvement. The United States has said that it will offer food aid to those countries which demonstrate a determination to undertake effective development programs, either to increase their own food production or to improve their ability to buy food in the commercial market.

Let's take a look at some more details of the situation and outlook for several of our important export commodities. We will start with wheat. With production greatly exceeding demand for wheat for a period of years, the carryover stocks of the five major wheat exporters--the United States, Canada, Argentina, Australia and France--reached a peak of 58 million metric tons in 1961, and were still above 42 million tons at the beginning of last season. During the last few years the United States deliberately followed a policy of reducing stocks from the high level of 1961 by restricting production and increasing concessional exports. Unusually large shipments to India were necessary during the latter part of last year and this year to alleviate food shortages from a severe drought. United States stocks were reduced to a low of about 15 million tons by July 1 of this year. Surplus wheat held by other major exporters have been reduced substantially, largely as a result of the growth of the import demand from Communist China and the Soviet Union, the Soviet Union being the largest importer of wheat in two of the last three years.

By far the largest share of our wheat exports go to the less-developed areas, and we project that the largest part of the increase in our exports by 1970 will go there too. The major area for expansion of United States commercial wheat trade will probably be Japan, where we expect per capita consumption of wheat to increase along with some possibility of increased use for feed. At the same time we expect the domestic production of wheat in Japan to continue to decline. Japan's wheat imports increased from 2.3 million to 3.5 million during the last 8 years, and we are projecting them to reach 4.7 million tons by 1970.

Imports of U. S. wheat by Western Europe have already declined greatly from a peak of 1959-61 as a result of a tendency toward self-sufficiency. For 1970 we are projecting for Western Europe imports of U. S. wheat about the level of the past 3 years. But this will depend largely on price relationships, particularly of wheat and feed grains.

One great uncertainty in the world wheat outlook is the action of the communist countries and this is a particularly difficult problem to analyze. The Communist Chinese are not very cooperative in giving basic information about their situation. The Soviet Union's situation also is difficult to analyze. The Soviets have programs for increasing agricultural production. But they have had such programs before. Are these plans any more realistic than previous plans?

We think that the Soviets are serious this time and they may produce a great deal of wheat in the coming years. Another aspect of the Soviet situation is the question of whether or not they will be able to supply Eastern Europe with wheat. We think that they may supply most of it. If the USSR again becomes a net wheat exporter, and if there are no major droughts in the large

exporting or importing countries, there ought to be plenty of wheat to meet effective world demand in 1970.

Let's discuss the outlook for coarse grains, which has quite a different picture than wheat. Coarse grains are all grains except wheat and rice, and used mainly for feed in the developed countries, and to a considerable extent for food in the less-developed countries.

Japan and Western Europe are the major import markets for coarse grains. They took about four-fifths of the world imports in 1964-65. We expect a continuation of the recent growth in the demand for meat in Western Europe and Japan, and this, of course, is what underlies our projected demand for coarse grains. But some aspects of the developing policies of the European Economic Community, such as the price levels they decided upon, could affect these projections substantially. Nevertheless, we think there will be rapid changes in feeding practices which will cause expansion of feed grain consumption per head of livestock, and increase use of mixed feeds and protein supplements. Grain seems to be replacing potatoes in feeding livestock in northern European countries. Large scale broiler production is expanding rapidly in many West European countries and in Japan, and hog production is moving into intensive feeding enterprise.

Beef production in Western Europe probably will continue to be tied to dairy enterprises with relatively little use of concentrates. Here there is a question about the preference of the Europeans for lean beef.

Beef prices have been high in Western Europe, and high beef prices relative to pork and poultry will encourage the consumers to shift to the latter, which with present practices take more feed grain.

We expect the United States will continue to be the dominant supplier in the world market for coarse grains with Argentina a distant second.

Soybeans are another one of our major exports, and they have been doing very well. The United States produces more than 70 percent of the total world production of soybeans. Communist China is second, but a very far second with 21 percent. Since 1961, the United States has accounted for about 90 percent of the world exports of soybeans. China, back in the latter part of the '50's provided a substantial amount of world exports, but recently it has supplied only about 7 percent of the world total.

Of course, the demand for soybeans stems to a large extent from the demand for oil cake or meal which again goes back to the demand for livestock products, with soybean meal being especially important in feeding pigs and poultry.

The major markets for our soybeans and soybean meal are Japan and Western Europe, and the imports by Japan have increased spectacularly in the last few years. Japan is now the world's largest single market for soybeans. We expect a substantial increase in Japan's livestock production, and an increased use of soybean meal as a substitute for fishmeal in mixed feeds. Japan produces very little oil seed and has very little alternative to importing them. We expect their imports to increase rapidly. We also expect Western Europe to have large increases in imports and the United States will supply most of this increase.

Cotton, of course, has been in trouble with exports going down, but we are rather enthusiastic about the outlook. This is dependent largely on a feeling for the possible impact of the price change. Cotton has had trouble with the competition from synthetics, and we have had trouble with increasing production in foreign countries. We have said with our new cotton policy that we are going to get in there and lower the price and sell some cotton, and this outlook picture reflects that.

In one of the packets we have given you, there is a paper called "Foreign Supply and Demand Projections--Outlook for U. S. Agricultural Exports," and in addition to more detailed discussions of the commodities which I have covered, it has discussions of the outlook for rice, vegetable oil, variety meats, poultry meats, other meat, hides and skins, nonfat dry milk, fruits and vegetables, and tobacco.

DISCUSSION - GERALD FORBES OF MINNESOTA: Mr. Willett, in looking through this packet and referring to the studies that you mentioned, I see two on Israel, and you mentioned there were 32 such studies.

MR. WILLETT: These are supply and demand studies. Some are already published. Generally for those that are underway now, the projections are going to 1980, but all these studies have projections for 10 or 15 years ahead.

QUENTIN W. WEST, DIRECTOR, FOREIGN REGIONAL ANALYSIS DIVISION, ERS: Just a little addition to that. The book that you have is the full study by the contractor. The smaller one that you have is a summary of it and our evaluation plus some implications for the United States. The contract study does not spell out what this means to the United States and gives only the projected import demand or export availability, whereas the little one which we did ourselves drew from that to spell out the implications for the United States.

REMARKS OF KENNETH W. HINKS, EXECUTIVE VICE PRESIDENT (RETIRED), J. WALTER THOMPSON COMPANY.

MR. HINKS: In the next 25 minutes, which is the time allotted to me, I am going to try to package up some specific ideas which you can figuratively put in your brief case and take home with you if they are of any value.

For our domestic market, we have the greatest marketing knowhow of any people in the world. We are more efficient, we are more effective, and we are the envy of other peoples everywhere, and that marketing knowhow is premised upon a skillful use of market data. Fortunately we have very complete marketing statistics and market data to operate on in our domestic market. Beyond that, we know a lot of things without looking it up. We know where the people are, we know what the purchasing power is, we know what their habits are.

Now, when you come to the international market, we have a somewhat different situation. First, there are fewer statistics available. Second, we are less familiar with the source for those statistics, and third, it is complicated by the language difficulty. It means we must work just that much harder, and we must spend much more time on our homework in the overseas market.

That is one reason that the material that Mr. Willett has presented is so important to us. I refer particularly to the country studies which I have used much more than I have the broader general figures on exports. The country study on Japan I am most familiar with. I have used it on three studies for FAS in Japan, and found it invaluable. I am off shortly to India on another assignment, and I am looking forward to help from these studies in my work over there. But good as these studies are, they are of no value unless we dig into them, dig out the values, and put them to use.

Now, there are three market dimensions. The first is population--people are markets. Without mouths to feed, without backs to clothe, there are no markets. Beyond that the second factor, purchasing power, is essential or there is little or no market opportunity.

Then there is a third element, and that is wants--the want to buy, the want to use our products in these overseas markets. Now, it is this third product, this third element, this third dimension--wants--that I am most concerned with in my talk today.

Now, wants have a peculiar characteristic in that unlike population and unlike purchasing power, they aren't static. They can be enlarged. They can be manipulated. They can be changed, and the function of advertising, the function of promotion, the function of overseas marketing is to manipulate those wants in order to turn them to our own profit.

There is a second consideration about wants, and the way in which they are different, and that is there is very little basic material available on wants compared with the figures available on population and the figures available on purchasing power. That is why market testing becomes so very important in overseas operations.

Now, there are three steps, as I see it, in market testing. The first is testing against U. S. experience. We are most fortunate in that for nearly every kind of promotion and product tests have been made by the experience of the marketer in the American market. That is the most valuable form of testing you can have for use overseas. It has worked and it has worked this way in the United States market. There is a great amount of information available to us.

Unfortunately, however, sometimes we discount the experience of our own domestic market. There are pressures always saying the overseas market is so very different. What you do in the United States won't work overseas. Many, many times it will work overseas. This pressure to magnify the differences between the U. S. market and the overseas market comes very largely from foreign experts who have a self-interest in magnifying the differences. They become increasingly important in their own estimation, and financially more costly to you if they can magnify the differences and the difficulties of overseas operations.

When I was in Germany, I was flooded with a group of German experts who had come to me and would tell me what my problems were and why the experience I had in American would not work there. One of these so-called experts came

to me one time and told me of the dire things that were going to happen to me if I followed American experience. He made the mistake, however, of calling my assistant and asking my assistant how fearful I was as a result of his conversation, and what he should charge me to get me out of this fictitious trouble I was in.

The advice of these experts usually is, "Don't do it." But when we go overseas we must have the conviction that it can be done and that it will be done, and we cannot get frightened off by these experts. The company for whom I worked for some 42 or 43 years built an international advertising, promotion and marketing operation on six continents. We cover practically every important market in the world, and that operation started with one conviction: That what we had learned in the domestic market, in the U. S. market, was important in every market in the world, and that company is still growing and still holds to that conviction, that the American experience is an invaluable asset wherever you go.

One of my first impossible tasks, when I started in overseas marketing, was for a soft drink company. This was in 1928, 1929, and 1930 in Germany. Who would buy soda pop in that beer-loving country of Germany? People laughed at us, but we had to make a test on it. We had two things working for us. The first was that at that time there was great popularity for American things: Records, dances, music. Gob caps even were popular at that time. So, soda pop capitalized with the youth on this popularity of American Things.

At the same time the plant managers in Germany wanted to cut down the amount of beer drinking on the job, so we saw an opportunity there and we got into canteens and we popularized soda pop with the industrial workers. Our test in Essen was a success, and this soft drink has gone on to world markets all over the world.

I have been delighted in my work with FAS to see an increasing use of the success experience of the American market in overseas marketing. I am thinking of the rice operation among others.

Now, having emphasized the importance of using the domestic market as your first step in testing what will and what will not work in overseas markets, I want to set up a word of caution. There are differences. There are many differences. I remember when I was in India some time ago, we were talking to the Ambassador there. We said it is rather amusing that because small tractors are so efficient in the American market in farming, people think they ought to be bought to India. He said the tractor costs \$2,000. A bullock costs \$600. A tractor uses imported fuel costly to the economy of India. A bullock lives off of the land. A tractor leaves only a bad odor. The bullock leaves fertilizer and invaluable fuel. And beyond that, the tractor can get stuck in the mud and a bullock never does.

Well, I cite this to show that we have to be critical of American experience, and make sure that it does apply. I could give a number of cases where we have blindly taken the American experience and not been successful.

Now, the first way to check out whether the American experience will work over there, I think, is to consult the men who are there marketing American products in these overseas markets. They have a wealth of experience. Now, they will not have information directly on your product, but they know the market, and they know the characteristics of the people, and they can tell you parallel experiences which are invaluable.

It is not easy to get at the truth. You will get contradictory things from these people who are marketing overseas. But it is so important to reconcile those contradictory facts. I conduct a seminar about once a month for some of the men from my former company, and in that seminar I set down four rules for a good marketing man, and I think those four rules apply to overseas marketing just as they do to the men who are marketing in this country.

The first is seeing the invisible. Recognize the opportunity that the other man doesn't see. The second is do the impossible. Somebody is going to find a way to do it, even if you don't. The third is the unattainable. Don't be content to do things just the way everybody else does them. And lastly, you just always reconcile the irreconcilable. Reconcile what appears to be contradictory and come up with the truth. It is this last point that I want to stress here.

If you study in depth, you will also come up with some contradictory information. That only means that you will have to get more evidence and weigh it more carefully.

When I started talking about testing, I mentioned three points. I said test against American experience. That is what I have been trying to talk about now. The next point is test by research, and finally I will talk about testing by pilot study in the field.

After studying what can be learned from American experience and translating it to overseas experience, then one is ready to go to marketing research. Great quantities of money are wasted on marketing research. Too much marketing research turns up only the obvious, which you knew before or you should have known. Never go to a marketing research operation, no matter how good it is or how fine its reputation is, and expect to be told what you should know about a market. Do your homework in advance. We must go to them and say, "This is what I know. This is what I think I know. This is what I don't know. I want to verify those things which I think I know, and I want to explore those things that I don't know."

If you don't do that, too frequently you turn up just the obvious information, and nobody ever wins by betting on the obvious. Nobody ever wins big money, because everybody knows the favorite is going to win, so the winnings aren't going to be very great.

The thing to do is to strip the research down to the essential things you must know in order that you may act. Now, it sounds as if I were a little negative on research. I am not. I couldn't market without it. But research must be looked at critically, the same as experience.

One of the great values of research, and particularly of consumer studies, is that it centers the interest on the wants of people. So frequently, the American exporter thinks too much about "What I want to sell." He must change around and think about "What do they want to buy" or "What can they be made to want to buy."

I recall one time I was in Japan on wheat, and we were talking to the millers there, and the millers were giving us a very clear picture as to the kind of wheat they wanted for their mills over there. And one of the American exporters was there, and he looked at him and he said, "You can't have that wheat. We want that for our own domestic mills." Well, it was a natural viewpoint but it was not a very successful marketing viewpoint for him to approach the Japanese market. Some of the rest of us had to overcome the bad start he made there.

There is one thing in research that is extremely important, and that is finding out how well satisfied the foreign market is with the products now available to them. I remember at one time some 30 years ago I introduced a baking powder into Germany, and on the basis of American experience, it had been a great success here, and I went to Germany to take it over there. But after spending a very sizable sum of money, I found that another baking powder was firmly entrenched and satisfying all needs and they were profitable enough to fight us tooth and nail wherever we became aggressive against them. It is important to know what your competition is over there, and that will come very largely from research.

That same baking powder experience taught me another thing. In this country, we use the expression "contains no alum." We started out with that in Germany. But in Germany the leading baking powders didn't contain alum, and the government regulations said you cannot say you contain no alum unless your competitors contain enough alum. It is terribly important to know the health marketing regulations in these markets. Some of the health rules seem terribly ridiculous to us, but sometimes they are insurmountable and we cannot overcome them.

Now, my third point for discussion is the actual market pilot test. I want to cover that under three points. First, what to test, second, how to test, and third, how to measure.

Now, a pilot market test is a costly operation and a slow operation. It is revealing, but it also is revealing to your competitor as well as to you. It shows your competitor what your interests are, what your strategy will be, and in most cases what your result will be. So in choosing what to test, the first rule is to be pretty sure that what you are testing is something you are going to go ahead with. Get all the experience first, and pick your test job. Get one you are willing to bet on.

The second thing is to never test unless you are ready to act on the results of that test. Before any test should be started, there should be a plan for the expansion of that test beyond the pilot test area.

Now, I would like to take the subject of how to make a market test. The first thing is to select a market typical of other markets. Now, no one market is ever completely typical. But look at it. See how this relates to other markets.

Will it be relatively true tied to the other markets. Be very careful in statistically selecting a good typical market.

The second rule is to select a market that is relatively self-sustained, where your promotion force and your advertising force don't overflow and waste force, because that waste force is costing you something, and you cannot afford to waste it if you are going to have a successful pilot test.

The third thing is to be adequate in the force you apply. The rule is just as true in marketing as it is in physics. You have to apply force equal to the result that you are trying to achieve. More money is wasted on skimping on force in promotion and advertising than is ever wasted on excess force. This is particularly true in the pilot area because you can speed up your results and you can magnify your results by using adequate force. If you don't speed them up and you don't magnify them, they are awfully hard to measure.

Now, my last rule on how to do it is don't be too impatient. Nearly every market test that I have ever known has been a failure at some point. I used to speak of the seven-week depreciation. After seven weeks if you went out in the market here in this country, in the market test, nine out of ten times you would come back and say "I have a failure." But if you stick it out, it will be to your advantage.

Now, the last point I want to cover here is judging the results. And I want to set down seven principles for judging the results in a market test. The first one is to plan in advance what evidence you will consider adequate to justify you in proclaiming this market test a success. Put those requirements down on paper.

The second thing is to check sales results. Wherever they are available, sales results are the very best there are. The third thing is to check retailer results or retail store sales. They are more readily available and they are a better guide than the manufacturer's and sales results, because they are more closely related to the advertising or promotion force applied.

The fourth point on which to judge tests is consumer use, figured by panels of consumers. If you can get a panel and see what consumers in the areas subjected to the force of your promotion are buying, it is an excellent guide.

I remember some years ago there was a toilet paper put on the market. The manufacturing sales in the retail stores went up greatly but the consumer panel showed that although the sales, the new use angle was going up like that, there was great dissatisfaction with the product. All of the sales were only first time users. The consumer panel test of sales is very revealing, and will reveal consumer satisfaction, which is your ultimate guide to success.

Another thing to consider is consumer attitudes. Where you cannot get consumer use figures, interviews on consumer attitude changes can be helpful. They again relate closely to the advertising. Consumer attitude changes don't necessarily mean sales.

The sixth point is the impact of the advertiser. You can measure that. It is a good thing to measure. But then too, it is not a final test of sales results. My last principle on how to measure test marketing is never set up a pilot study and abandon it until the day the results are due. Follow it regularly day by day, and learn every day what you can if you are going to get the full value out of it.

In my last few minutes, I want to discuss a case history of one of the most imaginative and best thought out promotions I have studied in my work abroad for the Foreign Agricultural Service. It is the golden toast bread promotion of Great Plains Wheat in Stuttgart, Germany. Now, no single case history is applicable to every situation, and probably no single case history would be of interest to each and everyone of you. The purpose in telling this is to illustrate some interesting thinking that went into this promotion. The promotion tried to capitalize on the rapidly increasing supermarket movement in Germany. The development of the supermarket in Germany did the following:

It created the need for an industrial baker who could supply the chainstore a quantity of bread which could not be supplied by the local craft baker.

The industrial baker's sales to supermarkets required a bread that had a longer shelf life and made necessary a flour with higher gluten content. A flour with higher gluten content could not come from the local German wheat, but it came from blending imported wheat with domestic German wheat. The blending of higher wheat, higher gluten content wheat with the local domestic wheat presented the opportunity for U. S. wheat. The task of the promotion then came to popularize the consumer use of that kind of bread which was toast bread, which required this higher gluten content type of wheat.

The theme was built around this toast bread idea, and the special use of a brand of that bread. Now the promotion had these seven characteristics: (1) It was soundly conceived. Every detail was worked out in advance, and put down on paper. A brand name was registered and acquired so control would remain in the hands of Great Plains Wheat in this operation. (2) It was professionally executed. An experienced and aggressive advertising agency was put on the job. (3) There was a business-like agreement made with an excellent local industrial baker who would put up half the money. (4) The pilot area was carefully and soundly selected, so that the effort produced results that could be measured. (5) The promotion was adequate for the job to be done. (6) The possible extension to 60 other markets was all worked out in advance. It is now in 19 different markets throughout Germany. (7) The measurement for judging the success of the pilot study was set up in advance. They looked at sales figures, retail store distribution, and consumer habit changes.

It was a great job and it was great fun to work on it in Germany. Now, my concluding comment. I have tried to say in testing a market follow the three steps. Make every use of U. S. experience. It is your best test market. Verify that experience by overseas research. And lastly, wherever you can, prove it by a local pilot test market.

MR. IOANES: I think this is a fine program and I only want to say two things today. First of all, the business that we are in is big, it is important, and in the years ahead it is going to be even more important.

I can remember not too long ago when the agency we are in was largely regarded as a collector of figures. We owed our existence to the fact that somebody had to do the job of finding out how much cotton was produced in the world in a year--what the stocks were. So we put out publications.

We have changed tremendously since that time and we have changed primarily because of the realization that the export market is a big, growing, important market. I will just give you one number.

I can remember trying to figure out ways to get our export total, along with many other people, up to \$3 billion. We said if we could just get there, we could rest. And now the Secretary says -- "Fellows, what are you going to do this year?" And we tell him about \$7 billion and he says, "When are you going to go to \$8 billion?" And we are going to \$8 billion, and we are going to \$9 billion, and we are going to \$10 billion.

We have the products, the world demand is there. There are problems to be overcome. But I don't think there is any question that a greater and greater percentage of our gross agricultural production in many areas will be going abroad in the years ahead.

What I am trying to emphasize to you is bigness--growth. The people you met here are doing a completely different job today than they did some years ago. As I look down the list of people who came in here from the States, I get the distinct impression that that list has different kinds of titles on it, and different kinds of people on the roster than we had some years ago.

I see words such as foreign marketing specialist, export coordinator, titles that I did not see in State governments years ago. I think that is a good development. I think it is the kind of development that we have been seeing here in the Federal government--specialization in the foreign area.

In our service we have realized that we have to specialize. We realize, for example, that it is not enough to know in general about cotton. We have to have a man who knows about the virtue of American cotton, the quality characteristics of American cotton versus those of our competitors. And so we have on our staff a man who goes into foreign mills, works on blends containing our staple lengths, and tries to prove to them that ours is the best.

I have referred to specialization in your own areas. It takes money, too. You cannot just do it with people and without money. This agency of ours has grown from a few hundred thousand dollars a year in budget to a budget of about \$30 million a year for people and programs.

Now, that means that today we are no longer a service outfit that mainly puts numbers together. We have the ability to analyze the numbers, to tell

American traders and producers what the figures mean. We are able to lead a campaign--with which you can help--to upgrade quality. Those of you who come from wheat-producing States should have been exposed to the controversy of the improvement in grain standards. I think you do a little better each time the controversy comes up. I don't think you do nearly well enough yet but I think as time goes by, together we will do even more.

The job here is to convince our own farmers that there is a real relationship between the average quality of the grain they produce and our competitive positions in world markets.

We have action programs today--where the government has given us money to engage in market promotion abroad. Others on the program will tell you about that. A couple of things that happened there have registered with me.

I think a lot more of the States going to exhibitions like Munich should take along the products from their State that they are proud of, as compared with some of the educational efforts that the States have put on.

I recall the State of Virginia in market developments--I don't remember the names--but when we had an active interest in feeder cattle, I think it was, for Italy. I can remember two men in the State Department of Agriculture who really became the salesmen for the Italian buyers. And they saw to it that there was a broker who put the herds together, they saw to it that the railroads worked on rates that were useful to get the cattle to port, they saw to it that the port facilities were adequate and proper to handle the cattle. They came as close to being a salesman as anybody I have ever seen.

I recall a group from Georgia that we had in Rotterdam on peanuts. They had some big bags of Georgia peanuts, which they were roasting and passing out as samples, and then selling them on a small-lot basis. I am not sure that there was much science that went into the reason they were there--they just had an instinctive feeling that they had a good product that ought to be shown.

I am not sure that had much to do with the results. But today there is a fairly large percentage of our Southern and Southwestern peanuts that are going abroad for edible purposes. Whether this kind of effort did it or not, it certainly did not hurt it.

Now, the boys told me when they set up this program that I didn't need to make a speech, and I am not going to. I have no sermon to deliver today. I think this kind of thing is very useful. I think that to the extent that we can help interest you even more than you are today in the rewards of the foreign markets, we will have done what we wanted to. And if you can help get more of your people in industry and in associations interested in actually engaging in exports, that will be an additional plus.

FAS' EXPORT PROMOTION PROGRAM -- A VISUAL PRESENTATION

David Hume - Assistant Administrator for Export Programs, FAS

Edward Seeborg - Grain and Feed Division, FAS

J. Kendall McClarren - Director of International Trade Fairs Division, FAS

James O. Howard - Director, Trade Projects Division, FAS

MR. HUME: We are told by Joe Willett's organization that exports account for about 80 million acres of tilled land in the United States. Now, what is 80 million acres equal to? It is the equivalent of the total tilled acreage in five of the big ten States--namely, Indiana, Ohio, Illinois, Iowa, and Minnesota.

This next figure is one that I very seldom quote because it doesn't sound big, but I think in an agricultural group like this it would be appreciated. With agricultural exports running \$6.7 billion, it is the equivalent of approximately one-sixth percent of value of total sales on farms nationally. Put another way, our agricultural exports are the equivalent of 15 ocean-going vessels fully loaded leaving the ports of this country daily.

Dr. Beukenkamp in his speech this morning mentioned that exports are labor, exports are credit, exports are processing, exports are wages. You can think of this in terms of what it takes to gather 15 shiploads of merchandise every day. And that is partly what it means to the United States in terms of agriculture. You can visualize what it means not only to agriculture, but to the United States.

Our agricultural exports for fiscal 1966 ran to \$6.7 billion. The happy thing about this is, as we shall see a little bit later--it is that the bulk of this, about 70 to 75 percent of that value was commercial exports. Private enterprise developed its own customers, got its own financing, took its own risks, made its own deliveries, and serviced the sales completely. This is something that is becoming a permanent institution of the United States agriculture.

We are now going to talk about our cooperator, or foreign market development program that is supported by foreign currency. The activities I am about to talk about here are virtually all supported by resources that come from the sale of surplus agricultural commodities under 104(a) of Public Law 480.

In other words, let's take a cargo of wheat. It is shipped to India. The United States pays the U. S. shipper in good old hard dollars. The United States, however, takes payment for that shipload of wheat in Indian rupees. Those Indian rupees go physically into a bank in India to the account of the United States.

Now, the contract with India which sold that wheat provided that 5 percent of those rupees would be set aside in advance for use in the development and expansion of foreign markets of agricultural products. In addition, the contract provides that the Government of India will permit up to 2 percent of these rupees to be converted into currencies of other countries for the same purposes.

So you can see that in the sale of a cargo of wheat to India, it is possible to get through conversion of German marks, or Dutch guilders, or Japanese yen, or Hong Kong dollars--hard currency, so to speak, to use in promoting markets for U. S. agricultural commodities in the dollar markets.

The point I want to make is that this program we are going to talk about now is supported by a resource that is generated from agriculture, and not all of these resources that are generated from agriculture go back into agriculture. But, this one, we are happy to say, does.

This is our cooperator program. And I would like to start out by repeating a little bit. The figures that I use are not going to compactly jibe. For some reason or other, our chart man cannot keep up with ERS statistics. These are last year's figures. But I am going to use this year's figures. But the purpose of this chart is to show that the relative increase in agricultural exports is faster in commercial exports than in Government program sales.

Now, in 1956, exports under Government programs were about \$1.4 billion. These would be the Title I and foreign donation programs. In 1966, exports actually under Government programs were about \$1 billion less than they were in 1965. Last year they were about \$1.5 billion. So, you have had a little increase, but almost a levelization as far as the exports under Public Law 480 and other government programs are concerned.

However, in 1956, exports under commercial programs were about \$2.1 billion. The increase in 1966, however, went up to \$5.1 billion. So, you see that our increase is in the commercial sector, and that is what our foreign market program is addressing itself to.

What does this program consist of? What do we do, and how do we do it? The basic substance of it is 45 United States trade organizations. These are usually nonprofit agricultural trade organizations. I say usually because we do some work with the Grocery Manufacturers of America, and the leather people who are not exactly in the farm belt. But, basically, they are U. S. trade organizations, such as the American Soybean Association, the Institute of American Poultry Industries, Great Plains Wheat, Soybean Council of America, and Cotton Council International, which is fast becoming an international organization. It is through the instrument of these cooperator organizations, which are largely commodity oriented, that the program activities are carried out.

These trade organizations have arrangements and connections with some 206 foreign trade associations. You will see an example of that a little bit later in the program when Mr. Seeborg shows what is being done on wheat in Japan.

This program itself extends to over 70 countries throughout the world. It involves the employment of about 725 nongovernment people, all of them in one way or another representing themselves as salesmen of the products of our farms.

Last year the total expenditure in the program would be about \$16.5 million to \$17 million of which about \$10.6 million came from this foreign currency resource that I mentioned earlier--in other words, this is Government money--and about \$6.5 million or \$7 million came from the cooperators themselves. Not only do we have a contractual working relationship, but cooperators actually put money into this thing along with government money, and these resources combined put on a unified program.

It is an extensive program and it has its roots in a very wide sector of agriculture through these associations and organizations. We have countries, for example, where a relatively small number of men, like the Danish or the Dutch poultry board, make crucial decisions as to whether or not you can import and when and how much. Likewise in Japan on wheat--you can get a clutch of men you can count on two hands that make the major decisions as to whether you are going to sell \$150 million or \$200 million worth of wheat, or \$275 million.

You need to give out technical information and get others to promote. You need educational programs and point-of-sale information.

Now, the next speaker on the program will give you an actual example of a market development program.

REMARKS OF EDWARD SEEBORG, GRAIN MARKET SPECIALIST, GRAIN AND FEED DIVISION,
FOREIGN AGRICULTURAL SERVICE

MR. SEEBORG: Let's talk about Japan--a favorite country for everybody to use as an illustration of market development. Set the stage back about 1946. War has just ended, MacArthur and his troops have just landed, they have occupied the country, there is little food, there is near-anarchy. A message comes back from MacArthur to Washington with one of his typical cryptic messages--"Send me wheat or send me more troops."

The picture was very clear. The people are starving, they have got to be fed. So the decision was easy to make. Shipload after shipload of wheat from the West Coast was dispatched to Japan, breadlines were established, soup kitchens were opened, and eventually order was brought out of chaos. The American army was really our first market development in Japan because bread was introduced to the people at that time through our army bakeries.

Well, then let's come down a few years. In 1954, P.L. 480 was instituted with Japan as one of the countries. Her balance of payments was not up to par. They qualified for P.L. 480, they needed assistance, they got it. A large amount of American wheat went over there under Title I, P.L. 480.

It wasn't very many years until the Japanese economy recovered sufficiently. They didn't need P.L. 480 anymore. And they became a cash customer.

So the picture changed. At the time of the organizational market development program beginning, the only segment in our wheat economy that was organized at all to do market development work was the Oregon Wheat League. That was a group of forward looking farmers looking for new markets for their producers. In 1958 they sent over a team to the far East to survey the market in Japan, and in other far Eastern countries, to see what opportunity there was to expand the sale of wheat from the West Coast to that market. And this was really one of the beginnings of market development in Japan. That team, with which FAS cooperated, came back, and as a result of the findings of that team, a contract was then developed between the Foreign Agricultural Service and the Oregon Wheat League.

Then, very quickly, Oregon joined with Washington to form the Western Wheat Associates. The Great Plains Wheat became organized with the principal wheat growing States of the Midwest. Together they established a joint office in Japan which previously had been run by the Oregon Wheat League. Through this office in **Japan** they assisted in developing about a dozen different organizations within Japan.

These are noodle makers, cake-mix people, doughnut people, manufacturers of confectionary products, and bread bakers--among others--a dozen different organizations, all of which have wheat as a primary raw material in their products.

Market development of the commodity itself was begun through these organizations. In order to develop a market you have to have a demand for the product. The demand for the product was developed in this way. There were other ways in which the demand for the product was also enhanced. But, by and large, the primary effort at that time was to develop the industries, organize them, and then assist them in developing markets for their own particular products, all of which used wheat.

The initial effort was on wheat only--Canadian, Australian, U. S. It was a soft-sell approach because Japan, as a rice-eating, Asiatic country, was not particularly accustomed to wheat products, except noodles. That was the only wheat product with which they had any familiarity.

So it was quite a job to teach them how to eat bread, cakes, macaroni, cookies and other things that are made from wheat products. But, I will show you in a few minutes how successful that effort was.

In addition to organizing these people--kitchen bus demonstrations were carried on throughout Japan. There were about twelve prefectures in Japan, and each one had its kitchen bus. These were financed partly by Western Wheat Associates, through market development funds, and partly by each prefecture. And each bus would demonstrate how to prepare wheat foods. They gave out literature on nutrition, describing how important it was to the health of the people. That's how wheat food were made popular.

School lunch programs were also used. One of the best ways of influencing a diet in any civilization is to teach the very young how to eat any kind of food, and this was done in Japan.

A very important point here is that none of this work could have been done had it not been for the complete cooperation and support from the government of Japan, from the Ministry of Health, the Ministry of Education, and the Ministry of Agriculture. Those three principal agencies thoroughly supported the idea that the nutrition of the people of Japan was of primary importance, and that it would be helped by increasing the amount of wheat that the people of Japan were consuming in their diet.

The kitchen buses were so successful that after a few years each prefecture took upon itself the task of running its kitchen bus demonstration program. These are still in operation. The wheat association was the instigator, but they have no connection with that at all now.

The school lunch program in Japan is still going on. They are feeding about 12 million students a day with a hot lunch including about a 4-ounce loaf of bread for each student every day. And in addition, there is a nutrition program in which home economists are educated on the nutritive values and **recipe** ideas on wheat foods.

Then, as Japan became prosperous, and went off of P.L. 480, we noted our sales went down rapidly, and Canadian sales went up just as rapidly. We had been shipping them wheat for survival purposes and this wasn't exactly the type of wheat they would buy if they had a free choice in the market. They wanted bread wheats which we did not have ready and available for export on the West Coast.

It was quite clear that if we were going to stay in that market in an important way, we had to do something about supplying a bread type of wheat for the Japanese market. And this we did through a variety of efforts. There were many States taking part in it--Colorado, Kansas, Montana, Oregon, and Washington--among others.

The freight rates had to be reduced. Traditional ideas of marketing about which freight rates are structured had to be completely scrapped. Instead of West to East we had to go from East to West. We had to convince the Japanese that the types of wheat we had for sale, particularly the hard winter type which was in very long supply at that time in the United States, would work well in their bakeries.

This project took about 2 years. Once they were convinced and started buying, business really mushroomed. At the present time our hard winter wheat sales into that market are almost double what our total sales were in that market at the time we started. At the time we started, our sales were about 700,000 tons in total. Our total this year is up to 1.94 million tons, which is just under 72 million bushels of wheat and includes hard red spring, hard red winter, white wheat and Durum wheat.

We now are exporting into the Japanese market hard red spring wheat. We made the breakthrough on hard red spring in a similar manner as hard red winter. Freight rates and quality testing were involved. So, we have gone through that, and the hard red spring wheat is now firmly established in the Japanese market, and sales are increasing. It is a direct competitor to Canadian Manitoba.

U. S. Durum wheat is now trying to get established in Japan. We are competing with the Canadians who are shipping just as much Durum as we are into that market. Japanese millers haven't decided yet whose Durum they are going to buy. But we have a quality problem with Durum wheat that we will discuss with those of you that come to the grain sessions a little later, and it is a very serious quality problem that may prevent us from getting into this market at this time.

We now have the white wheat on the West Coast, the hard red winter which now comes from the Midwest, the hard red spring from the Northern States--Minnesota, North Dakota, and Montana, and the Durum wheat from North Dakota, all going into the Japanese market. A few years ago, before market development,

all we had was the white wheat, and a little bit of Northwest local hard winter.

I think this story would not have been the same had it not been for market development. The commercial trade would have sold more wheat in Japan, but it is very unlikely that the success story that we have here would ever have taken place.

REMARKS OF J. KENDALL McCLARREN, DIRECTOR, INTERNATIONAL TRADE FAIRS DIVISION,
FOREIGN AGRICULTURAL SERVICE

MR. McCLARREN: I am going to highlight what we are doing in the trade promotion area of trade fairs and trade centers. Trade fairs in this country are a fairly recent development--both from the standpoint of the U.S. participating abroad in trade fairs, and from the standpoint of other countries coming to the United States with their trade products.

On the other hand, the trade fair itself is quite ancient. The sea-faring Phoenicians were among the first to establish this type of thing. Certainly Marco Polo as he came back from China in the 13th Century set up a bazaar that was yet another forerunner. Since the middle centuries the trade fair has become a traditional European market promotion device.

But we have been in the business here in the Department of Agriculture only since 1955. Since that time our trade fair program has grown quite rapidly. It is leveling off at this point because we are finding as we get into the competition with other countries, that we need to inject new ideas into our promotion programs. Some of them still fall within the framework of the trade fair, some of them go beyond that.

Our average trade fair program will find us abroad in from 12 to 15 major promotions in a year. In the last 3 years, we have gone more to the hard-sell approach.

In the early years of our program, we were working primarily with the cooperators and doing a consumer educational job. We set the stage for the cooperators to bring in and demonstrate their product to the consumer. Recently, we may have stolen a march or two on our competitors. As an integral part of the trade fair site we now have an area for "trade only." I think we will probably see our competitors doing the same thing in the future, because this is getting pay dirt. Those of you who were in Munich saw this in action. We still have a consumer show. We still must draw the public in, because they are the ultimate user. On the other hand, it is what goes into the order book that is really important to the business firms that we are working with.

We had 114 firms showing their products in Munich. It is difficult to obtain trade results from all of our participants, as they are in a highly competitive business. Nevertheless, we were provided with enough information to know that cash sales were getting into six figures. And we know that the cumulative sales in such a show have a good chance to go beyond the million dollar mark within a year's time.

In Hong Kong recently, poultry traders, under the auspices of the Institute of American Poultry Industries, sold 2,000,000 pounds of chicken parts right at the fair. We are bringing a trade confrontation between the U. S. countries and the importers and wholesalers abroad. It is working.

I am proud to say that we feel that the newest adjunct to the trade fair, the State participation, is still another successful venture. We will hear directly from representatives from those States who participated in Munich.

Some four years ago we started operating trade centers abroad in conjunction with the Department of Commerce. There are six such trade centers, and in three of these the Foreign Agricultural Service provides a full-time staff. Many of you have been working with these trade center staffs in the recent past.

We have staffs in Tokyo, London, and Milan. We average about two shows per year in each of these centers directed at tradesmen only. In many instances they are shows of what we call the vertical commodities, such as wheat or soy-bean products. Then, of course, we also have the multi-commodity promotions, with the food trade. More recently, we have gone from the trade fair and the trade center into a more direct promotion with the public.

Some two and a half years ago we started an in-store promotion program in the United Kingdom as a part of our trade center operation there. We ran this program for about 18 months on a pilot scale. We cooperated with various retail groups throughout the United Kingdom--some 4,000 stores during this period. We found it to be a very successful enterprise, because it gets new products on the grocery shelves, as well as stimulating sales of all U. S. products featured in the promotion.

This past year we took the program to the continent of Europe. We have had several major promotions there this year. We have just finished two in Holland and Belgium--400 stores in Holland, with the Albert Heijn stores, the best merchandiser in Holland, and with the Del Haize chain in Belgium. And earlier this spring we were in 250 Presunic stores in France.

Incidentally, all of these programs work. For instance, the Presunic group sent their buyers to this country on a direct buying deal. Orders exceeding \$800,000 were placed with U. S. food and beverage firms.

In others, particularly in the United Kingdom, where agent relationship is still a strong factor, we deal directly with the agents of American products to build up these in-store promotions.

Although most of our promotions have been centered in Western Europe and Japan, we are now looking to other far Eastern markets. We are working right now with the largest supermarket in the far East, and, believe it or not, it is in the Philippines. It compares in size and variety of product offered with anything we have here in the States. This program will take off and go for a longer period than usual, some six weeks, centered around Thanksgiving theme.

We have also had the president and vice-president of the Isetan stores in Japan visit us only about three weeks ago. They are interested in a similar promotion--although this is a food hall in a big department store in Tokyo. They have ten other stores in other parts of Japan. But on this first venture, we will probably try it out in the Tokyo store only.

Our competitors are doing this same type of thing. If we maintain our share of the food market, we shall probably have to increase our efforts in this direction.

We are also interested in stimulating dollar trade in what we call developing markets. This may have a different meaning to different people, but to us it means dollar markets, small compared to Japan, England, Germany, but nevertheless, rather large pockets of dollar trade available to U. S. merchants if we actively promote our products.

Usually we have not held FAS-sponsored promotions in these countries, although private firms may be operating successfully in the market. Before going in, however, we do a market profile study to determine what U. S. products might compete successfully in the market. The first of these studies was in Hong Kong which has already been followed with the successful promotion previously mentioned.

We have a study completed for Sweden and now plan to follow with a promotion in the spring of 1967. We also have surveys under way in Lebanon and the Philippines. If the prospects appear promising, we will follow up with a trade promotion.

REMARKS OF JAMES O. HOWARD, DIRECTOR, TRADE PROJECTS DIVISION, FOREIGN
AGRICULTURAL SERVICE

MR. HOWARD: When you are spending \$10 million of government funds a year in a program where you are working overseas through trade associations plus businessmen and in an area of new ideas of promotion, you have taken on administrative problems which are somewhat different from most government operations.

But I think as you people in the States get more and more involved in this, it would be of interest to know a little of the administrative techniques which are used here.

Before any trade association begins to spend any government money, there is a formal contract, what we call a cooperative agreement. We call it that because they put in money and we put in money. The trade association pays as a minimum all the domestic costs, and we have foreign currency to use overseas. We have a body of regulations which continues to grow as the program gets more sophisticated.

These agreements now are written for up to five years but new agreements are for one to two years. For each year there must be an annual marketing plan, a very precise statement of what the cooperator hopes to achieve in each country that year. The cooperator writes up his plans, comes in with a detailed proposal, and when it is accepted the budget is approved.

There are consultations from time to time. We have meetings about every two months here in Washington with the cooperators.

And there are reports and evaluations on an annual basis. Every few years we also put together a team of experts from outside to make an evaluation. There are certain activities for which cooperators have to get prior FAS approval. This includes opening a new office, hiring personnel, certain contracts, entertainment, and international travel.

Let me just pause here to say that everybody is interested in international travel, and it is one of the most sensitive activities in this program. After the trade association has spent the money, their vouchers go through the embassy, the attache checks it against the market plan, the legality of expenditures is checked with the embassy, and finally they are paid.

I hope this administrative review suggests that there is a systematic, organized and, we hope, businesslike approach to these programs.

MR. HUME: Here is a listing of some of the things that we think the cooperator and trade fair trade centers and market development program have accomplished.

There are more U. S. firms in the export business, more foreign firms promoting U. S. products, more trained personnel in export work, more groups working on access problems, more export awareness among farmers, better adjustment of trade practices to export markets, and better quality standards for export products. We still can make a lot of progress here. We need better research data to meet export problems. On the whole there is a better appreciation of U. S. products abroad.

REMARKS OF LEE CAMPBELL, WASHINGTON REPRESENTATIVE, INSTITUTE OF AMERICAN POULTRY INDUSTRIES

MR. CAMPBELL: As these three days unfold you will become even more aware of a program that is unique in government. The partnership that exists between the Foreign Agricultural Service and nearly 50 agricultural and food trade associations to develop and maintain markets abroad is indeed a new and pioneering step. Industry resources and talent are combined with those of government to produce resultful programs.

This idea of using industry associations has "paid off." Look anywhere in the world where cooperator programs are active and dynamic and you will agree. Congress has, this year, emphasized the importance of cooperator programs. In the Food for Peace Act--now in the final stages of becoming law--are these words: "In carrying out agricultural market development activities, nonprofit agricultural trade organizations shall be utilized to the maximum extent practicable."

Those of you who represent State governments are interested in these programs because in an international arena they are helping to sell the produce of your State as a part of American food and agriculture. Or if you produce a commodity and do not export it, these programs have a beneficial effect on the domestic market for that commodity. I'll say more about that in a minute.

To illustrate a point I'd like to make let me review for a minute the background of the poultry market development program. In 1956, when the industry joined hands with FAS it was unanimously agreed that market development work should be done for eggs and poultry products by one organization. The Institute of American Poultry Industries--a processing and marketing trade association which had been working for industry since 1926--was asked to do the job--for chickens, turkeys, ducks, eggs and egg products. With the financial support of the National Turkey Federation, the National Broiler Council, regional associations like Delmarva Poultry Industries and Southeastern Poultry & Egg Association, State groups like Georgia Poultry Federation, Arkansas Poultry Federation, Virginia State Poultry Federation, and others, we moved ahead.

Our industry was quick to see that with competition abroad from other producing nations we could not afford to dilute American poultry promotion efforts by having splinter groups promoting U. S. chicken against U. S. turkey or Georgia broilers against Alabama broilers, or Minnesota turkeys against California turkeys. In the total promotion effort a unified voice for American poultry and eggs has been effective.

Support of our market development efforts has been important to State and regional associations for two reasons: (1) Direct exports by producers of their State or area, and (2) the indirect benefits of exports on the domestic market.

Let me tell you a little bit about how the poultry industry gets an indirect benefit from exports. Over 4 percent of our turkey crop, 1-1/2 percent of our broiler crop and 6 percent of other chickens are now being sold abroad--practically all for dollars.

Poultry sold overseas now brings the industry almost \$60 million a year in direct income, plus another \$60 million as a result of exports' effect on our domestic markets.

A leading agricultural economist has shown that without exports the domestic price of broilers would have been a cent a pound less than it was, the price of eggs a cent a dozen less, and the price of turkeys more than half-a-cent a pound less.

Cooperation from State, regional and national poultry associations has been excellent. And we have worked with, or have been of assistance to, a number of State marketing groups.

In certain areas, as you know, the producers of agricultural crops have provided--through legislation or other means--for direct financial expenditures for market development work. In Georgia, just recently the Georgia legislature provided a system for market development funds--and recognizing that a strong promotional voice is necessary for American cotton these funds are provided for Cotton Council International.

You representatives of State governments can help our total effort to build and maintain markets for American agriculture through cooperation with the trade groups who are actively working in the commodities your State produces.

I would like to emphasize several areas where help is needed and where you are especially fitted to provide such help.

Several years ago, I, and several others here today, served on a task force to report to the Secretary of Agriculture on international market development. That group recognized a most important fact. Market development begins at home. There is a wide area of education needed at the domestic level. Exporters need help with documents, with transportation--getting freight rates reduced. Communication needs expansion to provide more information about what importers want. In our industry--and I suppose we are unique in this--we get reports that American firms do not answer inquiries from abroad. Even a "we are not able to serve you" reply would be better than nothing.

That's only one item but I use it to point up the communications job that can be done at the local level. And it is in this area that you can be extremely useful.

Encourage your potential exporters to get overseas--to make calls on customers. And I'm not talking here about trade missions or tours. Those have their place. But the real order taking comes from business calls.

Yes--there are innumerable ways that you can be of help to your State producers--and that we can be of help to each other and in so doing avoid a duplication of effort and strengthen our total export sales.

REMARKS OF JOHN W. THOMAS, DIRECTOR OF MARKETING, IOWA DEPARTMENT OF AGRICULTURE

DR. THOMAS: It is my pleasure to be asked to appear on this panel for the purpose of explaining how cooperative programs are working between the Iowa Department of Agriculture and the American Soybean Association and other associations. In Iowa we have a marketing board comprised of leaders of the major associations. These men act in an advisory capacity for the Secretary of Agriculture and the marketing board. This board has recognized the fallacy of blindly promoting agricultural products which can be produced just as well in surrounding States.

Iowa is like an island in the vast United States, having to move its commodities greater distances than most producers in other States. Iowa transports 90 percent of its agricultural products to markets outside of its State. Because of the distant location from most ports, Iowa must compete for foreign markets with other States that have lower transportation costs. Therefore, in line with the basic objective of the marketing division to develop, support and coordinate markets for Iowa farm products, both domestically and in foreign countries the division has entered into agreement with the American Soybean Association to expand foreign markets for soybeans. Under the terms of this contract, Iowa will contribute \$30,000 in each of two years when two or more States have entered into a similar type of agreement--which makes a proportion at payment according to the 1965 production. This contract specifies that each State so contributing will also have a representative to serve on an advisory group to the association on the establishment and operation of a program for overseas market development.

The association will assume sole responsibility in the technological planning and supervision of the foreign markets development for soybeans in Japan and Western Europe.

We are convinced that through the use of the association and their use of P.L. 480 funds, we can perform more effective soybean promotion. And with an association with a foreign staff we can accomplish much more than if any of us individually or if other States even collectively try to work independently.

Not only are we doing this for soybeans, but for pork and pork products. We feel that since approximately one-fourth of all the pork is produced in the State of Iowa, we should assume the leadership in this field. At the present time we are reviewing research literature of programs conducted in other States as well as in foreign countries. Plans are underway to coordinate marketing departments and cooperating agencies with all major swine producing States to evaluate the research findings, in order to arrive at a mutual agreement on standards for pork and pork products.

We feel that if we can improve the pork quality, it will benefit the entire economy and our entire industry. Once the industry reaches some mutual agreement on the pork quality, we can then, by cooperating together, promote much more advantageously all phases of the pork products to both domestic and foreign outlets.

In order for Iowa to be successful entering into a promotion program alone, we would have to receive more than \$4 back for every dollar invested. This is highly improbable that we would have a market where we could keep other pork products out from other States that had a similar quality. But if we could cooperatively enter into such a program with other States, then at least our returns that we have to receive for each dollar invested would become less, and we would do a lot better job of promoting this program.

Therefore, pork promotion could be undertaken best using an approach similar to the one everybody is using with soybeans.

Our division also gathers transportation information on the movement of agricultural products from Iowa. Similar data gathered from other States has been quite beneficial to the agricultural industry. We are trying our best to coordinate our activities with other States, and as such have made several trips to other States.

REMARKS OF HARRY KRADE, CHIEF, DIVISION OF AGRICULTURAL ECONOMICS, CALIFORNIA
DEPARTMENT OF AGRICULTURE

MR. KRADE: California probably has more participators among the 45 that are cooperating with FAS, but is probably less involved than any of you folks are. We have a rather unique situation. We have various marketing boards for the host of commodities with whom we work indirectly. I think I had better explain to you folks how we do operate.

The State of California, while it is probably the most important State from an agricultural viewpoint in terms of dollars and cents, is nevertheless

oriented not to agriculture but to industry and to people. Agriculture is important with us, now that the legislature has been reapportioned and reshuffled. It really sets us apart, and the farmers have to depend on their own wiles to get by. I am not sure that that is very bad. But at any rate, on a State basis, tax monies are very limited for the support of agricultural marketing. We do have some enabling legislation such as our marketing order act, which permits farmers to get together without fear of the antitrust laws, and this is the mechanism which most of our industries use to avail themselves of these various other programs that make promotion and development of new markets abroad possible.

The legislature gives us the tools but unfortunately they don't give us the financial grease that is often needed. Aside from the fact that oats, peas, beans, and barley don't vote, we have the further problem of producing more than 260 commercial commodities in California, and we would have a very, very difficult job on a State level in trying to properly allocate tax dollars to each of these to give them fair representation.

The California marketing act enables commodity groups to get together for the purpose of promoting their products. I am not going to argue about the merits or demerits of compulsory versus voluntary checkoffs or taxes for these programs, but we do have more than 20 programs concerned with promoting agricultural products within the State. We have mandatory assessments on these products, and we pay out and we take in more than \$7 million each year in California for promotion of agricultural products by these programs.

Now, I can't tell you exactly how much of the \$7 million that we spend for promotion is used in foreign countries, but a good deal of it is, and we are very pleased that for every dollar that is spent overseas, the FAS and other cooperators pick up part of the tab.

The State participation in these programs is one of an advisor to the industry, and in a very real sense, I think we are learning much more than we are teaching. What we have learned over the years since 1937 when we first started this matter of promotion programs, when we first hung out our shingle, is that every market is unique, and that what works in one market may not work in another market, and we are finding this out as we go farther and farther into the field.

The second thing we have learned is that you can't develop markets based upon trying to get rid of surplus. It takes a lot of work to introduce a product into a foreign market, and it costs a lot of money. Once you are in the market, you have to stay in the market, and it is especially true of the specialty products with which we deal in California. It is also true of the staple--we have a very sizable export of rice to Japan. We grow a short staple rice. We had to introduce it to Japan. We managed to keep the market simply by virtue of selling Japan on its merits.

The third thing we have learned is that price is not the way to build a market. You can't build market demand by selling cheap. You may unload surplus, but over the long run, we have found that we need to establish for our products a quality image. It makes more sense to satisfy a high quality profitable

market than to try to dispose simply of unwanted merchandise. The French have done it with their perfumes in the U. S. They have also done it with their wines, haven't they? French wines are very good. But did you know that a California vintner recently got a Presidential award for exporting California wines to France? This, I think, demonstrates that good quality will sell. We don't think that the State can truly represent private industry in many of these endeavors of foreign trade. Surely with the many problems that we face, all we can do is offer some guidance, a helping hand occasionally, and the vehicles whereby foreign trade can develop itself.

What do we do in California? We gather money from industries who are willing to contribute, and we disperse it. We gather data and we do need far more data on the matter of imports and exports, countries of origin, and particularly on our specialty crops. We try to ascertain what markets are potential markets for our California products, and we encourage most of all our industries to solve their own problems.

We have on our marketing staff professional economists who work with industry in an effort to stimulate an interest in foreign trade. We also have marketing orders whereby an industry establishes quality standards not only for domestic production and domestic distribution, but these apply also to foreign trade and foreign commerce.

We depend a great deal upon professionals to do the job. All of our marketing order boards that are involved in promotion of agricultural products without exception depend upon specialists who are knowledgeable in the field of promotion and advertising. We spend a good deal of money in research for these things. One way that we have been directly involved is in trying to eliminate trade barriers.

Our emphasis has been on trying to promote broad markets for California products, whether within the States or whether they are an outside destination, and whether it is a product we sell locally or whether it is a product that we sell internationally, we do try to emphasize quality.

REMARKS OF GEORGE M. STRAYER, EXECUTIVE VICE PRESIDENT, AMERICAN SOYBEAN ASSOCIATION - DISCUSSION LEADER

MR. STRAYER: FAS trade cooperators and State agencies can work together. Let me try to summarize this and give you some of my ideas.

First of all, foreign trade concerns all segments of our economy, because the world has become so small in terms of transportation and in terms of communication that no longer can the United States live to itself. We are a part of a world which is intricately woven together, and foreign trade concerns all segments of our economy, including agriculture. Foreign trade is not a Federal problem to be solved. It is not a State problem to be solved. It is not a corporation problem to be solved nor an individual problem to be solved but it is a job to be done by all of us.

It is national in character. Yet each of us back at the producer level in agriculture or in State agricultural divisions or departments of agriculture, or concerned with marketing, has a place in this national character of foreign trade.

Some commodities are very limited in their areas of production and of interest--citrus fruits and walnuts and avocados, for instance. Now the problems of marketing those commodities are still national problems, but they are also State problems, and they are more typically State problems than are the problems of marketing of wheat, corn, soybeans, cotton and commodities that are grown over wide areas within the United States.

There are some areas of promotion where States can serve a most useful purpose. There are other commodities where national or regional activities must be the form.

Just to give you an example from my own industry, I happen to be working in soybeans. The buyer of soybeans in Rotterdam, Yokohama or Hamburg couldn't care less whether they came from Mississippi, Arkansas, Illinois, or any other State, so long as they meet certain specifications. He is after end products. He wants oil and he wants meal. He wants the maximum yield of oil and of meal, and the highest possible quality. But it is of no concern to him where this product originates, so that in an industry such as the soybean industry, the buyer doesn't care where they come from. He is interested in a quality product of a certain type to fit his needs, and he is going to buy it where he can buy it to most advantage.

Now, in the industry in which I happen to work, nearly one-half of our total market today is overseas. Last year we shipped into export markets of the world approximately 46 percent of our entire crop, either in the form of soybeans, in the form of oil or in the form of meal. When you add these all together, nearly one-half of our entire crop went overseas. So that the promotional job of an industry like the one which I represent is certainly a nationwide, at least an areawide promotional job. It is not one to be done by specific States. I can't think of anything which would waste more money than for individual States to go out into the world market and try to promote soybeans which were grown in their own individual State, because we have a tremendous job in promoting the overall market, and when we start spending our money within my industry and many of the others in agriculture, competing with each other for present day markets rather than spending our money in trying to enlarge the total market, we have lost sight of the real objective which we started out to reach.

We have a promotional organization going. We are operating in Japan through the American Soybean Association. Then the Soybean Council is operating in the European countries. The funding is totally inadequate. We are not doing the job we would like to see done. We can see a tremendous number of jobs that are going undone because we do not have the funds to do them.

Our long-time objective in our industry is to reach the time when each man who sells soybeans makes his fair share of the contribution to the overall fund to do this promotional job. The wheat people are doing it now. The folks down in North Carolina just in recent months have instituted a checkoff on soybeans in their State under their referendum law. This is the first State in the United States that has done this on soybeans.

We are hopeful that a number of States are going to join this parade. Some of them in their 1967 sessions of the legislature are introducing bills which would make it possible for all agricultural commodities upon meeting certain specifications to set up a checkoff, or legislation for specific commodities.

Now, this financing from State funds in the soybean industry is a very necessary part of a long-time job. You do not go out and convince the farmers of America in one short jump that they should participate in checkoffs, legalized or otherwise. This is a job which takes time, money, and manpower. And the time and money and the manpower which you spend in doing that is subtracted from that which you should be spending in doing the overseas marketing job. But the final answer in my estimation to this whole problem of how to finance promotional programs is a self-help checkoff program of one type or another.

Now, there are some very definite things which you within your States should and could be doing. This matter of quality has been referred to a number of times today. We have had it in our industry. We have had it in wheat. We have had it in a number of other commodities. All too often we have tended to dump into export markets of the world those commodities which were surplus to our own needs, and those which our own buyers did not want, and certainly this is not the way to build long-time export markets.

Quite a number of years ago a crop, crotalaria, was brought into the United States from outside sources for use in soil conservation work. All at once we found crotalaria seeds showing up in soybeans which were shipped outside the United States. Crotalaria, for those of you who are not familiar with it, is a mightly dangerous thing in poultry feeding. It takes just a small amount of crotalaria seed in soybean meal to stunt the growth of the whole batch of broilers that you had on feed.

We had an immediate problem. This was a State problem, because the area where crotalaria was being used was very limited. And we had the job of eliminating crotalaria from soybean fields and from soybean lots. The States jumped right into the middle of the thing; so did Food and Drug and the Department of Agriculture. We got the job done.

We have similar problems on jimson weed seed going into parts of the world. And in Japan morning glory seed in soybeans are considered poisonous. We have never regarded it that way here but some exporters of soybeans have had to unload shipments, reclean them and remove morning glory seeds before the soybeans could be put into channels of trade within the country.

As we do ~~the~~ job of expanding our markets for more and more products in more and more areas of the world, we are going to have to use a sophisticated approach and professional people to merchandise American agricultural products. Are there any questions?

DISCUSSION - ORVILLE CARVER, MARKETING SPECIALIST, PENNSYLVANIA DEPARTMENT OF AGRICULTURE

MR. CARVER: In this cooperator service that you have, I know you have contract cooperators. But I am not too sure what that means. I wonder if

somebody could explain to me how XY's association was picked as a contract and what is the difference between long-term and short-term?

MR. ROME: In the first place we try to avoid choosing them. I would say that what we do is to analyze expressions of interest. That is the first thing. We don't have any hard and fast criteria that either excludes or qualifies prospective cooperators. We try to use the rule of reason and common sense.

Here are some of the things that we consider. The first thing we are interested in the fact that the cooperator is a bonafide representative of the industry concerned. Second, we look to see the scope of his representation. How close does it come to being national in scope? Is it a total industry representation or is it a partial one?

We look, of course, at its organization structure, to see whether or not there is the capability and the resource in his organization to manage, control and execute the ministered programs, or at least to make judgments on them.

If it is a big potential cooperator and is interested in coming in, we certainly would not exclude anybody. On the other hand, we have discouraged cooperators where we run into situations that tend to bring on competitive conflicts, where we can see that resources are being fragmented both within the industry and so far as our foreign currencies are concerned, where we see two associations trying to compete with each other for recognition. But the specific answer to the question is that we don't have criteria that are written down unalterably. We do try to use common sense, and we have both accepted and rejected.

MR. DRIGGS: I wonder if you would explain something just a bit more fully. One dollar of Iowa money requires \$4 return, but if I have two or three other States I don't need \$4 for every dollar. Would you explore that just a little more?

DR. THOMAS: Yes. Any time you put money into a promotion, you have to get at least the amount of money that is spent on a promotional program back to be considered successful. Let us assume that we will get an amount back equal to the percentage of the total production in the United States. If Iowa produces 25 percent of the pork, it would have to at least get \$4 back for every \$1 spent.

MR. DRIGGS: I can see how you would spend one-third as many dollars but I don't see why you don't need as much back per dollar. That is the point.

DR. THOMAS: Oh, you do, but there is no sense of Iowa as a State spending money to promote Illinois and Indiana pork, using Chicago as an example. This thing is facing me right now in the poultry industry, and they are very mad at me because I told them they were silly to spend money with the idea that they are going to get the egg market. First I said to them what proportion of the eggs from Iowa go to Chicago. Well, they said 80 percent move out of the State, so a big proportion has to go to Chicago. I said before I can go into this program and sell it to the Board, I have got to know exactly where the eggs are going. I have got to know exactly how you are going to carry on such a program, what stores are going to be involved, what percentage of the eggs that they

handle are from Iowa. They said they couldn't do this because this would be too much of a research project. That is where we stand now.

MR. STRAYER: I think this goes back again to the fact that so long as we spend our funds just fighting each other within American agriculture, and do not enlarge the total market, we haven't done our job. So long as we talk about promoting beef and displacing pork and then promoting poultry to displace both beef and pork, we haven't accomplished anything in the end.

MR. FORBES: Joe, I have a comment rather than a question. One fear that is present in our minds in Minnesota is this: We are not afraid to cooperate with Federal agencies or national organizations on promotions. But we are constantly being asked if the national organization or the Federal agency is concerned about a little business back in my home town. There is security among these people in working with the State agency, that does not always exist when you get much beyond that.

MR. CAMPBELL: It was a comment and not a question, and it is an interesting comment. I have heard it from other quarters. It so happens that we are very active with some Minnesota turkey people, some of whom are directors of my Board, and I am not sure I know from whence the comments came, but sometimes I find that they come largely from individuals who do not have any financial investment in the program as far as his industry is concerned. I think that those who do financially invest in the program don't feel that we lose sight of them at all as a general rule.

MR. KROGH: Our cooperator groups have their role in connection with these products which are grown so broadly in the United States that a regional or a State approach is not an effective one. For those products which are of a more special nature, they are sold abroad on a brand name basis. Our trade fair and trade center program is providing facilities for the representatives of branded products to find an operational platform abroad to promote their products. It is here that the States play a very helpful role in organizing the small firms in their State to participate in these events overseas. In one State here sometime back, a representative of the State government organized 21 firms from his State to participate in a major trade fair overseas. The State representative went over with some of the other representatives, and three of them collectively represented the 21 firms with price and with order books. So in this part of the program, there is the definite role that States can play in organizing the special products for promotional procedures.

MR. STRAYER: I think we must not lose sight of the fact that whatever is done to expand overseas markets also affects the price at home. A man may be a small operator and does not see any direct benefits to himself from a promotional program carried on overseas, but he benefits very definitely pricewise. Whatever is done to put our production in and get it into the export market raises the total price of the commodity.

These 46 cooperators who were mentioned earlier do not make actual sales or carry order books. Their total job is the creation of the right atmosphere so that the men who come along behind with the order books can write the orders. This job of market promotion and market development as carried on by the cooperators as nonprofit corporations is one of creating the favorable atmosphere

under which sales can be made, so that your man who is merchandising this commodity has just as good a chance of selling his commodity as does the other fellow.

MR. MOHLER OF MISSOURI: I would like to ask you, Mr. Strayer, that in your plans to expand your market development program for soybeans abroad, are you planning to increase your efforts in the Orient, or are you planning to hook up with the Soybean Council to jointly promote soybeans in the United Kingdom or in the European markets?

MR. STRAYER: This would take quite a while if I were to give you a complete answer. Let me just say that the Soybean Council of America is operated jointly by the American Soybean Association and the National Soybean Processors Association and that we are interested in a total market for soybeans, soybean oil, soybean meal, any soybean products.

All funds which may be accrued and be available are going to be used to sell the greatest possible amount of soybeans and soybean products. Now that is not a direct answer to your question except that our American Soybean Association has nine members on the Board of Directors of the Soybean Council of America, and the National Soybean Processors Association has nine members. There is one from the handlers, there is one from the exporters. The organization is operated by this group of 20 men.

ROBERT M. SCHNEIDER, DIRECTOR, ILLINOIS DEPARTMENT OF AGRICULTURE

MR. SCHNEIDER: I think that you should establish a trade name and promote a State. Now, when you establish a name like Iowa pork coming into Illinois market or Chicago, you are going to establish a trade brand name. If you want to get higher quality by putting an Iowa brand on a product, you will peg your producer or your slaughterhouseman or anything you want to call it from your hogman on up to establish a quality market. Unless you do this, you are not going to be successful in raising a quality program.

Now, in Illinois we established the export trade on soybeans and have offered all the traders as Illinois soybeans with the oil content and the protein content on the soybean certificate. Now this doesn't mean we want to cooperate with all the States around. It helps the quality. So whether they are Iowa beans or Indiana beans, Missouri beans or whatever they may be, we are guaranteeing this grade.

But I think you ought to look at this pork situation again. In our own State we raise pretty good apples, but I yield to the State of Washington and Michigan, because they have done the advertising and done the job. But they have not only sold their own name. They have sold more apples for everybody else.

DR. THOMAS: May I comment? In Iowa, we have a high quality pork. We are actually going to test that in a consumer panel in Michigan this fall. The main thing was not the fact that I was trying to run down anything in Illinois or Indiana. The fact is the Secretary and I have talked about the idea of the three States getting together. The thing that we have to be concerned with in

promoting pork is selling the legislatures back in Iowa that you were selling their pork. The Board recognizes this. So we don't disagree at all professionally that this is a good idea. It is just a matter of convincing our legislature that this is a good idea.

WEDNESDAY - OCTOBER 19

The meeting was called to order at 9:15 a.m. George H. Goldsborough, Director, Matching Fund Program, Consumer and Marketing Service, U. S. Department of Agriculture, presiding.

REMARKS OF ROY L. MORGAN, DIRECTOR OF FIELD SERVICES, U. S. DEPARTMENT OF
COMMERCE

MR. MORGAN: I am very pleased to be here and I have a great respect for the Department of Agriculture and always have had. I think everybody else does in this country. You do very well in your budgets in Congress. And we do not do as well.

How many of you here in this room know much about the Department of Commerce and what they do? Our field operations are just like anything in industry and business. We have 42 field offices throughout the United States that represent the U. S. Department of Commerce and assist both industry and commercial areas, and in some capacities, agricultural areas.

In fact, one of our best offices, headed by an agricultural man--Ray Eveland, in Des Moines, Iowa--a great deal of his work has to do with exports of farm products. The same thing is true about Dr. Ernie Booth in Minnesota and other places. So I would like to let you know that we are represented by agricultural people heading our offices in different parts of the country. Apparently the Department of Commerce received the bulk of that problem involving export control. And as a result, our Department of Commerce field offices were besieged with problems involving agriculture.

In each of our offices we have an international trade division and a domestic commerce division. In my opinion there is little difference between domestic and international trade except the transportation of its overseas. And that involves a lot of problems: Licensing requirements, documentation, quotas, nontariff barriers and tariff barriers, etc. Each of our people working in the international trade division in field offices must know everything about what is necessary and to send these products overseas.

Let's talk about how we work with you. Let me tell you that the primary concern at our field offices is to represent industry like you represent agriculture. Our field offices have conducted large conferences throughout the United States in the past five and a half years on this export expansion program.

Mr. Hume and others have told you there is a question of balance of payments. Sure, that's a real problem--the dollar going out and not getting enough back. On the other hand, we are not able to talk to business people in those terms. They are not interested particularly in the balance of payments. You might find one that is spiritual enough in his thinking toward his country that maybe he thinks we should do something about it. But they are interested in profits. And there are profits, great profits in exports.

In 1960, our exports were around \$19.6 billion. Last year we did over \$26.6 billion. This year we are running at the rate of \$29 billion. Agricultural exports make up 25 percent of this.

Now is this export expansion program the field service represents the Office of Business Economics, Bureau of Census; the Institute of Applied Technology, a clearinghouse for technical information on new products and new processes of manufacture; the Maritime Administration; the Export-Import Bank; and the Agency for International Development.

We keep complete records of those new exporters that we get into business out of industry. We have approximately 310,000 manufacturers throughout the United States in 1960--only 12,000 of those manufacturers were in exports--that is a little less than 4 percent. We have documented by the field offices 6,000 new exporters in the past 6 years. And we have the results.

One day I had to testify before Congress on the export program and I wanted some success stories. I was rambling through the files. I saw this one that showed \$400,000 a month in exports. I questioned it. I said, "This can't be true--this should be a year. This is a new exporter." And they checked their Memphis office and came back and said, "Sure, it is not only \$400,000, it is running around a million dollars a month."

Actually it is running over \$40 million a year right now and has to do with processed grains--Arkansas Feed and Grain Corporation, to which we gave a Presidential award. Now, here was a good, interesting case. That case alone made up as much as we have had in trade fairs, trade centers, trade exhibits for a number of years--that one case.

Many of you people here in this room I am sure have worked very closely with our Department of Commerce field office in connection with these export programs. Let me tell you something about exports.

I made the statement several years ago that wage rates throughout the world were growing more rapidly. Although ours were higher, percentagewise others were jumping much greater than ours. Right now we can compete with them per unit cost in anything they produce. Today we can compete with them in cotton products in Hong Kong. We are selling transistors and camera equipment in Japan now. We are selling wine in France today. And that's an agricultural product. In fact, we gave a Presidential award a year or so ago on wines.

We can sell anything anywhere. Our products are well known and wanted everywhere. They are prestige items, in quality and also pricewise. Our big trouble today is getting people into these foreign markets. But that is why I say we have gotten 50 percent more in international trade today than we had before.

We have many ideas to get industry into the export business. We are trying to get a tax incentive for them, to cause them to expand their interests. We are trying to get proper financing through the Ex-Im Bank. We have had some success, in our White House Conferences and our national conferences. We are also trying to get freight rates to a proper rate.

Now, last year some of you people may have participated in the 1,135 seminars attended by some 50,000 businessmen. There we put on a program to disseminate trade opportunities to the different firms throughout the country. In the seminars we discuss financing, guarantee payment, commercial risk and political risk. We have this information through our Ex-Im Bank and Foreign Credit Insurance Association, which is a branch of the Ex-Im Bank. At the seminars we also discuss documentation, licensing requirements and so forth.

Any firms that wants to go into the export business--whether it is an agricultural company or an industrial concern--can get help from our field office people. They'll take the case with them, work out their documentation, get them a combination export manager or freight forwarder, or we will help them and give them all the information on licensing requirements, tariff barriers, freight rates, everything. Then we will help them out in the financing by getting them in touch with the proper people. Last year we had 1,149,000 requests for assistance. This year we estimate it will be about 1,166,000.

Now, we also are using 1,250 top industrialists throughout the United States on the Regional Export Expansion Councils. They meet once a month. We have the National Export Expansion Council, headed by the Chairman of the Board of Dow. We have the National Executive Committee. They work with us just like your Agricultural Advisory Councils.

We also overseas are having our exhibits, our trade fairs, our trade centers and our trading missions. Our trade centers and our trade fairs are all set up. American firms are exhibiting and we in the field offices are soliciting them and getting them to go over.

In conclusion I want to say this. You cannot substitute other products for American products anywhere because they are quality and they are well liked. Now, I know there are a lot of questions you want to ask me.

DISCUSSION - DON E. WILKINSON OF WISCONSIN: I understand there is an administrative relationship, especially in the trade fairs and trade centers, between the State Department, with the embassy, Department of Commerce and Department of Agriculture, is that correct?

MR. MORGAN: Well, let's put it this way. There was the USIA, and the Department of Commerce, who had their programs together. Now that has been separated and the USIA conducts its own programs and we in the Department of Commerce have our special programs now. We do work with Agriculture from time to time. State works with us as far as helping us set up the programs overseas through our commercial attaches and the embassies.

MR. WILKINSON: You are not responsible to the ambassador in a foreign country, then?

MR. MORGAN: No, sir. This is the Department of Commerce. Of course we respect the ambassador and all.

MR. DELMAR: Perhaps some of these people would find it useful if you say a word or two about your relationship with the Small Business Administration.

MR. MORGAN: Yes. The Small Business Administration, as you people know, is in the loan business. They work with us in different areas on set-asides. We also publish Commerce Business Daily, published by the field services throughout the United States. This paper includes all government procurement--Defense that is not classified, GSA, Post Office. It is published daily. The SBA uses this almost as a bible.

The SBA is very good about referring matters on international trade to us, because we have the experts to assist the manufacturer in getting into international trade. I might say that the bulk of our new exporters are small and medium firms. So we are in it up to our necks with small business. We have splendid cooperation and I think it will continue.

JOHN STILES OF FLORIDA: You mentioned several of the inquiries that you get coming into the Department of Commerce. How are these inquiries handled? In other words, is there a place for the Department of Agriculture to coordinate or to cooperate with you in some of these inquiries in the agricultural field?

MR. MORGAN: Yes. I think Mr. Hume might have spoken to you about that yesterday--I am not sure. We work very closely with Agriculture. In fact, it may have been originally that one of the farm people out there in Memphis or Arkansas called it to the attention of the Arkansas Feed and Grain Company, that we could help them in getting a customer overseas.

Well, this is the type of area you can help us a great deal and help yourselves: Getting people to know that they can export their products overseas. We will take it from there on with you.

We also work with Agriculture. We recognize that, too. We work with Agriculture by having Agriculture in most cases making these Presidential E awards where it involves agricultural products. Actually our relations with the Department of Agriculture are excellent.

DON OLSON OF WASHINGTON: Have you ever had any requests for a more refined type of export statistical information, rather than just lumping it all as a port district, or a port area?

MR. MORGAN: It is a difficult thing to do. There are exporters from Illinois, Missouri, all the way down, exporting out of New Orleans. Now, we know what is exported out of the ports. There is no trouble on that.

MR. OLSON: Can't that be refined?

MR. MORGAN: As to each State?

MR. OLSON: Yes.

MR. MORGAN: We are doing that by Bureau of Census. We did it in 1960 and we did it in 1963 and we hope we are able to do it again in the next few years. It is an expensive job.

LESLIE DRIGGS OF NEW YORK: What is the publication called?

MR. MORGAN: We have an Office of Business Economics publication. Then we have our International Commerce Weekly which carries the statistics as well as the bulletins, as well as the Office of Business Economics, and the Bureau of Census. Now, they all carry it. We can give you those statistics any time you want. Contact our field office or write to Washington and we will give you anything we have on the statistics that you want. But I do want to emphasize the fact that 25 percent of our exports are agricultural products, and that is quite important.

ROBERT THAYER OF WISCONSIN: You indicated we should contact the Regional Office if we are in need of help. Can we have the addresses of the Regional Offices?

MR. MORGAN: There are kits here that give you the addresses of all our 42 field offices. I think they are to be handed out outside. It gives you a breakdown of what our field offices are doing generally plus a list of addresses and telephone numbers.

MR. GOLDSBOROUGH: Now, the next item on the program is under the general subject of "State Experiences in Export Promotion." To begin this, we have a panel discussion which includes John Stiles, Don Olson and John Ligon. For the past day and a half we have had discussions from Federal people indicating what the USDA or Commerce can do for the exporter and some indication of what the role of the State might be.

The States now have a chance to give their experiences in export promotion, just the way they see it. As many of you know, the States are engaged in a wide range of activities in the export field, which range from special trade missions dispatched by Governors to the development of capabilities within the State departments of agriculture to advise and counsel firms interested in the export field.

Solving special problems involved in shipping to foreign countries such as what type of package you need, what are the special tariff barriers, what are the consumer preferences, the names of the buyers, and this kind of thing, is another State area of activity. I think that most of us agree that this is one of the key roles that the State can play.

Since FAS has no field offices like the Department of Commerce, there is a vacuum between Washington and potential exporters who need technical assistance on how to get into this.

As you know, several of the States have served on the staff of FAS-sponsored trade fairs and have done a very effective job. The most recent example of this is the Munich Fair, where seven States did a most effective job in exhibiting products of their States and making sales.

Most of you are familiar with the experience Virginia has had in the export of live cattle to Europe 2 or 3 years ago. They had some help, of course, from FAS. But I think that Virginia can take a lion's share of the credit for getting the thing going.

Some of the problems encountered by the States, as I see it, in the export field are: (1) Difficulties in meeting grade and quality requirements of buyers in desired volume on a regular basis. Some of the States engaged in active export programs have to assemble their lots of the commodity from several States and it has become a multistate program in a number of instances. (2) I think an all too frequent problem is to be unable to fill an order after getting a foreign buyer interested unless you have a private entrepreneur with you. (3) Some of the realities of competition from other exporting countries--and then the realities of the trade barriers that are readily erected when a particular interest is involved is a very bad problem.

This part of the program is a chance to further crystallize in our own minds just what roles the States play on their own and in cooperation with Federal agencies in the export field.

REMARKS OF JOHN STILES, MARKETING DIRECTOR, FLORIDA DEPARTMENT OF AGRICULTURE

MR. STILES: I appreciate the opportunity of talking to you on some of the programs that we have in Florida to acquaint you with the historical background on some of our developments.

When we think about exporting, we think about several different ways we might get into various programs. Our interest in Florida started back in 1962 when Commissioner Conner and some others were talking about the possibilities of developing a trade council that could work with our livestock group to do more promotional work and get more buyers coming into the State.

One of the main ideas behind this was to set up a code of ethics. Once the shippers or producers within our State came in, they would follow this code of ethics that they were about to establish.

About that same time, we got involved in a beef import fight. I am sure that many of you remember all the activities and meetings that we had to try to slow down the imports of beef coming into Florida. At the same time we started looking at the export possibilities, as Virginia opened the door here in the first shipment of cattle to Italy. When they had the second shipment of cattle, I had the opportunity of coming up and visiting with the members of the Virginia Department of Agriculture and FAS to get acquainted with a program of this type. So when we went back we started thinking in terms of what Florida might have in a way that could tie in with an export marketing program.

First, we are blessed with 14 seaports and 6 international airports. Our total international trade has increased 196 percent, from \$248 million to \$734 million between 1946 and 1950. Today it is well over a billion dollars. We have seen a lot of developments and we see more of them coming on, particularly in the Tampa area.

We had our first shipment of cattle and we realized to get our trade council going we needed a routing point. So we had a shipment of cattle going out of Tampa, down to Venezuela. FAS made it possible for one of our men to go down with that shipment of cattle, see how they were handled on the boat, and then come back and give us a report on it.

From that rallying point there, we have bids to construct in Tampa the nicest most modern pens in the United States for our cattle. They will handle 500 head at one time. We also have new airport facilities down in Miami so we will be in a position to efficiently fly animals out of the Miami area.

Our geographical location in Florida gives us easy access to all world markets, particularly Latin American markets. And of course, our warm climate makes us a producer of agricultural products wanted the world over. After realizing this situation a year ago, we employed an export marketing specialist, Dr. Roberto Parajon.

Our first program was to sit down and get our plan of work on the things that we wanted to accomplish in the Department of Agriculture. After we got our plan of work set down, we started putting a lot of these things into action.

The first thing we did was to participate in the International Trade Fair in Verona, Italy. Florida was fortunate in having some of our crossbred Brahma cattle along with some from Virginia, over there on exhibit. Six others from Florida went over for the International Trade Fair, and I was one of the fortunate ones to make the trip and help promote Florida cattle in Italy. And of course as soon as we got back we got together and made up a complete report of the trade fair.

Shortly after this fair, we had another group, led by Commissioner Conner, go down to the Central America Livestock Fair in Guatemala. While there, they invited several Latin American cattlemen to come to the State of Florida and to be with us during our annual beef cattle short course which is held in the spring. This is one of the outstanding short courses for beef cattle in the United States.

The reception was very good. We had about 78 Latin Americans attend. We installed simultaneous translator equipment so they could understand the entire proceedings. I might mention at this time some of the problems that we have run into.

We have a problem with some of our livestock producers, our cattlemen. They fear any time you start producing and sending breeding stock to other countries, it is going to turn around and come back to you and you will have a real problem on your hands. As a result, some of them are opposed to a program of this type.

We have a shipping problem concerning our boats. Since they stay within American waters, anything leaving our ports must be in American vessels. You heard the comment just awhile ago on rates. American rates are higher than the rates of foreign boats.

Another item we developed was a conference with the Ministers of Agriculture of Latin America. The purpose of this conference was to improve our communications, explore our individual and common problem areas, and develop a plan of work or program which would be mutually advantageous to Florida and to all of our Latin American neighbors. The conference was held in Miami in September. Invitations were sent by Secretary Freeman, Governor Byrnes and Commissioner Conner inviting the Ministers from the 19 Latin American countries to come to Miami in September to the first Florida-Latin America Agricultural Conference. Thirteen Ministers accepted the invitation. Ten countries were finally represented.

A Ministers Forum was held the first day. Each Minister told about agriculture in his country. On the second day the Ministers went on an agricultural tour of Florida. Those of us who stayed behind held a workshop. On the third day we concluded the forum, along with the other items that we had on the program. Secretary Freeman was the main speaker at a banquet held that night. After the banquet, the Ministers went back into conference and worked until early in the morning drafting declarations, resolutions and recommendations.

Dr. Parajon was elected Conference Secretary. Commissioner Conner was elected as President until January, at which time the Vice President from Nicaragua will preside.

The Ministers decided on having a permanent organization. The Agricultural Declaration of Miami, which was signed by the ten Ministers that were in attendance set up eleven points they want to accomplish as a group. They plan to encourage other countries to join to meet annually to review mutual problem areas that they might have, and to work together for the betterment of agriculture not only in Florida, but throughout all of Latin America. They also plan to encourage all other countries that were unable to attend this first conference to be in attendance at later meetings. We are now in the process of writing up the proceedings.

The Florida International Agricultural Trade Council, which I mentioned previously, has started out slowly but it is now quite active. Dr. Parajon is serving as the secretary of that group today. The Council has developed a code of ethics. Those who are members must adhere to the code of ethics so anybody in a foreign country will know that our exporters and producers are cooperating in a program of this type and will live up to these agreements. We also have a newsletter that goes out to advise members of the activities that are going on in the Trade Council.

We have, in cooperation with the Trade Council, planned an agricultural tour in cooperation with our State Fair which will be held in Tampa on February 5-13. We are sending invitations again to our friends in Latin America. They will be coming up during the State Fair. But during the time they will be here, we will have a reception for them. We will have tours for them. Also, we are going to have an all-breed sale.

We also have another tour set up to go down again this year and invite our friends to the beef cattle short course which will be held next May at the University of Florida in Gainesville. We will be using simultaneous translating equipment again.

I might mention also that while Commissioner Conner and the group of cattlemen were down in the Central American Fair, they ran into a group from Australia trying to sell their animals. So other countries are in the export business too. We are working on several promotion programs that would bring these Latin American friends into Florida to make their purchases. We have also advertised, in cooperation with the International Trade Council, in the Hacienda, which is a cattlemen's magazine that goes all over South and Latin America.

Another one of the problems that you find in a program of this type is your large exporters. Many times they will not give their support to a program you would like to see. In other words, a lot of the exporters do not need a trade council or as much help as those getting into the business. Here you find an area where you have to work back and forth until you get your programs going. We have several ideas in mind that we feel will get more support from the cattlemen in the State.

As I mentioned before, our 14 seaports and our international airports leave a lot to work in the area of transportation. We hope to help out as much here as we possibly can. There are many things we have done so far, but we have yet really only begun to scratch the surface on the opportunities of the export programs. We feel that our program will develop and be quite beneficial to our farmers and producers in the State of Florida.

REMARKS OF DON OLSON, MARKETING DIRECTOR, WASHINGTON DEPARTMENT OF AGRICULTURE

MR. OLSON: We as Americans have been guilty of procrastination in other instances, only to be rather suddenly awakened by the success of others and then we devise a so-called "crash program" to recapture our place in the sun. Some examples of this that come to mind were involved in the development of jet aircraft, in the missile program and in the exploration of space.

The current recognition of the potential export market for our farm products comes as a result of the effective application of the provisions of Public Law 480. Designed in the main to move our surplus commodities to hungry nations in the free world, it has helped to create a demand for our products, and in some countries a vigorous economy that will pay for our products in dollars. These dollar markets are the ones that we are concerned with and which justify further development and inclusion in our National plans for food and fiber production.

The farmers of my State got their first preview of postwar export markets in the early fifties. The Oregon Wheat League sent a man to Japan to help promote the use of wheat as a substitute for rice. As this program unfolded, Washington and Idaho joined in to give it the financing that was sorely needed. It was the success of this program and the publicity given to it, that sparked a few commodity group leaders to ask, "Why can't we do something like this."

They probably could have, except that their industry support was fragmentary and no one could give it direction. The two things that changed all this was the increased frequency of overseas travel by farmers and agri-businessmen and the return to this country of Americans who had been involved in some of the early P.L. 480 programs. We were fortunate enough to employ such a person and

quite naturally, we began to seek marketing areas which could make use of his knowledge and ability.

Our first offer of assistance was made to the dry pea and lentil industry in 1964. We knew that they had been discussing some foreign promotion activity, but had no firm plans for procedure. It was agreed that the first effort should be made in Japan for these reasons: (1) Japan had demonstrated an interest in American foods; (2) Japanese people normally consume a lot of vegetables and already used some peas; (3) the cost of peas was within the reach of the masses of people; (4) freight costs were lower than to Europe; (5) we had some influential connections in Japan; (6) the State of Washington would have a pavilion at the Tokyo Trade Fair in April 1965 for the display of our products.

We urged the Pacific Northwest Pea Growers and Dealers Association to be the cooperating agent for the industry, and suggested that they seek financial support from FAS. The Association represented both dealers and growers in Washington and Idaho where about 92 percent of the nation's dry peas as produced. FAS agreed to cooperate.

We agreed then to provide the services of one man whose job it would be to design and execute the display, to man the booth at the Trade Fair and to escort two industry men to Japan and help them make contact with potential buyers. The fair lasted 10 days and about 3 more weeks were spent in making contacts.

The dry pea and lentil booth in the Washington Pavilion was both adequate and satisfactory. The open stock samples were particularly popular and few visitors to the booth could resist running their fingers through them, smelling and even tasting the displayed items. Ten thousand recipe folders and several hundred product samples were distributed at the booth, going mainly to the Japanese homemakers.

The exhibit served as a hub of a concerted effort. The team made contacts with 41 organizations representing a cross section of those interested in some phase of the dry pea industry in Japan. Probably the team's most promising work on behalf of dry peas came as a result of a visit to the Nichiro-Heinz Company, a Japanese-American corporate venture.

Arrangements were made for a pea and lentil soup testing program with three Osaka sandwich shops whereby they would feature these soups and keep records of the results. The 3-month run provided a background for future promotion.

The exhibit during the 3 weeks of the fair was viewed by more than 2-1/2 million people. One or another team member was always present at the booth to explain peas and lentils, an activity that proved particularly advantageous in comparison with booths staffed by Japanese only.

This was plain, hard-nosed American salesmanship. The results were exceptionally encouraging.

As soon as we knew that we would be in Japan with the dry pea promotion, we offered to assist another exhibitor at the same time. This offer was accepted by a farmers cooperative which desired to promote the sale of certain processed poultry items. This particular venture did not require the amount of help that was involved with peas and it too, met with good success.

Following the Tokyo Trade Fair, a complete report was made available to the dry pea industry along with plans for continued activity in foreign markets.

The next promotion was a display of dry peas and lentils at the Anuga Food Fair in Cologne, Germany in the fall of 1965. A different type of exhibit was prepared, designed to interest food buyers. We again provided the professional assistance with the display and contact with the trade. Following the Fair at Cologne, we authorized this person to remain in Europe to survey the market potential for peas and lentils in England, France, Belgium and West Germany. This activity took two months to complete. As a result of this survey, the industry is now in a much better position to undertake meaningful programs of market expansion in Europe.

Upon completion of this phase in Europe, plans were made for a followup in Japan. Another display was designed for the Trade Fair at Osaka in April 1966. This was particularly timely and the same personnel from our agency and from industry that had been at Tokyo, were able to return. Their previous experience and contacts made the Osaka venture very easy to handle and undoubtedly contributed much to build up confidence and interest in our products.

Again, as we had done at Tokyo, we attempted to interest other commodity groups to participate. The Ocean Spray Cranberry people showed their interest by having us make a brief test of consumer appeal for cranberries and to search out and recommend some potential brokers in Japan. Again our previous contacts from wheat and pea promotions served us well. The acceptance of cranberries was not promising, and in our opinion would require a lot of promotion over a long period of time. We did locate some prospective brokers who were willing to handle the product.

I'm pleased to be able to say that the promotion of dry peas in Japan has been a phenomenal success. In two years, our exports of dry peas have gone from an insignificant amount to second largest, exceeded only by the United Kingdom. This is tangible evidence that our whole industry can understand and appreciate. Just two weeks ago a cooperative agreement was signed with Nichiro-Heinz calling for a \$284,000 promotion program in the Tokyo area. We believe that this will ultimately make Japan our No. 1 customer.

Currently we are making plans to interest the processors of three more foods, into exploring the Japanese market. We are of the belief that processed potatoes and either freeze-dried or frozen raspberries and blueberries may have a potential with Japanese homemakers. First of all, though, we have to convince the processors to take the plunge.

We are also making plans to organize an export council, composed of representatives from commodity groups in Washington, Oregon and Idaho. These groups would be those who are not financially able to finance their own individual export activity. The council could conceivably employ an expert on a full

time basis, to act similar to a manufacturer's representative who is selling several lines of merchandise. This is still in the talking stages, but we hope to breathe life to the project in 1967.

This is a brief summary of our activities to date--not earthshaking perhaps, but indicative that opportunities do exist in foreign markets and that well planned promotions can be effective. There are some problems too, which may or may not exist in every State but which have certainly been in evidence to us. Just to name a few:

1. Finding and keeping capable personnel. This is not a job for the novice. You need people who are experienced; who know the product, its availability, price and usage; who understand the needs of the market; who are capable of getting the story across to potential buyers. After you get men like this, it may be a problem to keep them, because the business world will make them some attractive offers. We lost our expert in this manner.

2. Making sure that your clients have an adequate supply of product that is of uniform good quality. Too many people have the idea that foreign markets are just a place to dump surplus or products of inferior quality.

3. Trying to cover too much territory. It's the old story of cutting more hay than you can get in the barn. We are of the opinion that it is much better to concentrate the effort in fewer markets and do a more intensive selling job in each market.

4. Money. Inadequate funds are always a problem. We are grateful for the financial cooperation that is offered by FAS. We do feel, however, that the Matching Fund Program (RMA) is rather restrictive. We believe that the guidelines prescribed by the Matching Fund administrators for the promotion of markets should not be discriminatory between foreign and domestic markets, because the benefits from sales in either market accrue to the same people.

I want to close these remarks by stating that we believe the promotion of export markets to be one of the most challenging activities that we have ever become involved in, but also the most rewarding.

REMARKS OF JOHN LIGON, EXPORT TRADE SPECIALIST, VIRGINIA DEPARTMENT OF AGRICULTURE

MR. LIGON: The modern export story in Virginia all begins with a meeting similar to the one we are holding here today. It started with a staff meeting of market development personnel in May of 1964.

Our first objective was to secure as much information as possible on exporting. We called in representatives from the Foreign Agricultural Service, the Virginia State Ports Authority, airlines, ocean transport, export brokers and freight forwarders. Virginia was exporting, but we wanted to know ways to increase those exports. The next step was a survey of European markets to determine their needs.

Cattle seemed to be the primary item in which they were interested, and so we went to work. By July of 1964, the first load of feeder cattle was on the way from the U.S.A. to Italy. The cattle arrived in Italy in excellent

condition, and apparently so impressed the Italian farmers that we have had five other shipments since of both feeder beef cattle and dairy heifers. There is every indication that these shipments will continue on a regular basis.

In June of this year, another type of cattle export took place as a trial shipment of calves left Kennedy Airport for Italy. Additional orders have been placed pending some changes in levies and duties. But this is not the only field in which the Virginia Department of Agriculture has been busy.

Poultry and poultry product exports have been changing. Restrictions placed on shipments to European Economic Community countries reduced Virginia shipments to these countries, but other outlets have been found. During 1965-66, Virginia shipped to 52 different countries. As a matter of fact, Virginia ships 9-1/2 percent of the U. S. total of exported poultry and poultry products.

A sizable volume of fruits and vegetables have been shipped to our neighbors in Canada. Sweet potatoes, watermelons, strawberries, cucumbers and white potatoes have been trucked to central markets in Ottawa, Montreal, and Toronto.

A successful experiment with sweet corn was completed this past July. A trial shipment of corn on the cob was air-freighted to England and needless to say, was well accepted. Favorable airline rates on fresh fruit and vegetables made this shipment possible. We have the farm products in Virginia, and we make an extra effort by personal contact to tell our story.

Virginia has had representatives at International Trade Fairs in Europe to promote our products. This has stimulated cattle sales. Our export director just returned from a recent fair at Cremona, Italy, and reports that Virginia cattle were very well received and the demand for our cattle is increasing.

A trip to the International Trade Fair in Lima, Peru, created an interest in Virginia apples. Exports to South American countries have increased. Virginia, this past season, shipped fruits to 24 different countries with the emphasis on increasing the movement to South America.

Even as we work to develop new markets, continued emphasis is on Virginia's first export commodity--tobacco. More than 50 percent of Virginia's product goes overseas.

In Virginia, there is a continuing campaign to urge producers to upgrade production to meet the demand for high quality Virginia tobacco. A representative from the Virginia Department of Agriculture made a trip to Europe last year to discuss Virginia's quality control program. Buyers in Europe indicated an increased interest. The trip was sponsored and financed by the Virginia Tobacco Industries.

That gives you an idea of some of the possibilities for overseas shipments that have been developed by the Virginia Department of Agriculture. To make the leap into the export markets takes just that--a leap. L-E-A-P.....Leg work, extra work, a lot more work, and personnel. And this is paying off.

I've touched briefly on our work, but how about personnel? The recent Virginia General Assembly recognized the work that has been done so far and the possibilities of the future by establishing the position of an Export Director and Export Specialist in the Department of Agriculture.

The Department has also obtained the services of Conrad Lutz who is acting as Director of Agricultural Exports, Bureau of Europe. He will assist the Department on special export projects while working for the Virginia State Ports Authority. Mr. Lutz has his headquarters in Brussels, Belgium. This gives the Department a man in Europe who speaks six languages. Mr. Lutz's work is one of the most important parts of the Virginia export program.

Transportation costs, as you know, can be a stumbling block. The Virginia Department of Agriculture has a well qualified specialist who devotes full time to transportation problems. The transportation specialist has been of great help to Virginia exporters in bidding on specific commodities. He has worked hard to find means to lower costs of handling and transportation.

Last year, the Department developed a brochure which tells of the assistance the Virginia Department of Agriculture can offer the exporter and importer. Printed in English, Italian, and Spanish, this has been distributed throughout Italy and South American countries.

I have only touched on some of the areas that I feel are highlights of the exporting work in Virginia. Virginia is fortunate to have the port of Hampton Roads as its gateway to the world. In addition we have the Richmond Port which has turned out to be one of the most efficient and economical ports on the east coast for shipping cattle.

When we started exporting there were many problems to be solved. Some of the major problems encountered were: (1) The language barrier--interpreting for foreign visitors and translating letters of inquiry. (2) Establishing a quality standard or basis for pricing which could be used in submitting bids. (3) Determining health requirements and quarantine regulations for the different countries. (4) Learning what the different tariffs and levies were on products being exported. (5) Establishing a quick and efficient method of communicating with buyers overseas. (6) Determining what type of transportation should be used in order to secure the best rates. (7) Getting the buyers to use an irrevocable letter of credit.

You will encounter many other problems, but anyone getting into the export business should certainly consider those which have been mentioned. Virginia has an agricultural industry that is anxious to offer top quality products to foreign markets. Virginia products now enjoy popularity in many far-flung places. We feel it is reasonable to look forward to greater marketing opportunities in the years to come.

DISCUSSION - MR. GERALD FORBES OF MINNESOTA: I would like to ask Mr. Stiles if this International Trade Council is a venture in which several State agencies are involved, or whether it is only with the Florida Department of Agriculture, and also whether or not they receive an appropriation from the legislature of the State of Florida.

MR. STILES: Only with the Department of Agriculture--the commodity groups. In other words, at the present time it is a livestock and poultry group, and the others can come in as they want to. The fee is set up in such a way that they will pay dues by being members, and they do their own financing. They have no appropriation.

DR. JOHN THOMAS OF IOWA: Are you interested in other States coming into the Trade Council Organization? Our Governor is going down to South America to take a tour down there this winter.

MR. STILES: It is really set up just for Florida. We have had one request. But I don't think it will be open to other States.

MR. LOWELL MOHLER OF MISSOURI: John Stiles, you mentioned some problem of producers. Would you like to go a little further with this? Was this a price agreement between the foreign buyer and the producer?

MR. STILES: Back when we were having the import fight on beef coming in, we had some of our cattlemen at the meeting. Finally it came around to the shipment of feeder cattle that went to Italy from Norfolk. Here is what one of the cattlemen said, "Let's try to develop this market any place we can get a market--it will help to raise the prices at this time." Some of our cattlemen said, "We don't want to ship to Italy or any other country because if we do there is always a possibility they will be coming back to us."

So what I really meant was some of our own producers are opposed to programs of this type because they are not looking out on the horizon far enough on what you need in the future.

MR. DON WILKINSON OF WISCONSIN: John Ligon, have you found we can compete in the Italian market with livestock, with our present domestic prices in heifers and calves?

MR. LIGON: Yes--we can compete very well. The biggest problem is about a 20 percent tariff barrier going into it, and this is holding up some shipments right now. We have orders which have been placed, but there is some talk of this being released or taken care of, and this is what is holding it up. But up to this point we have been competitive.

MR. FORBES: I would like to ask any of the panelists if they offer a service to their producers and processors in assisting with the transaction of the monies?

MR. LIGON: We work with producers and processors and put them in touch with a bank which can do this for them. We don't do it personally.

MR. STILES: I might add we have indirectly helped in getting them to the right place, to the right people.

MR. LESLIE W. DRIGGS OF NEW YORK: When you quote a price, or your industry men quote a price to a foreign buyer, would you give us an example? Do you quote it in American dollars, f.o.b., or what kind of terminology do you use?

MR. STILES: We had a combined price that we gave the other day. It was quoted f.o.b. at the farm in this particular case. Another step is to load it on board.

MR. DRIGGS: American dollars?

MR. STILES: American dollars, yes.

MR. LIGON: In most cases we quote American dollars, CIF. That means at the airport. It depends upon what the agreement is.

MR. HOWARD: Do the buyers strongly prefer a CIF quotation, and are you moving in that direction to get deeper into this work.

MR. LIGON: Yes. I think most of them like this, because they don't take the risk of the shipment over there. They want it delivered there at their port. And this is what is meant by CIF--cargo freight insurance. They would like for it to be based on that.

MR. DRIGGS: When you say their port, did you mean that literally, or to their place of business which might be inland?

MR. LIGON: In most cases it is delivered to the port. Then they take up the cattle after they come off the boat, as soon as their government will let them come off the boat.

MR. GOLDSBOROUGH: In export promotion work, how do you see the role of the State unfolding? Yesterday, in the latter part of the afternoon the general tone of discussion was--work exclusively through a national organization. And of course we need to do it whenever it is feasible and in the national interest. You have a commodity grown in many, many States--like soybeans--and it is not identifiable in anyway. Can you give your opinion on what the role of the State should be in export promotion?

MR. STILES: It might be better to say some of the things that we are planning on doing in this area, promotion-wise. As I mentioned, we have cooperated with advertising in the Hacienda and this goes back to the question awhile ago on the Foreign International Agricultural Trade Council. They have been making requests to us and we have matched them with money. We have done this on a State level through our programs. This is one area that I think we can help. Another area is in the actual layout of the advertising and getting the message across that you want to get.

Another one is in promoting--trying to get the people to come in. As I mentioned, a lot of people come into Miami and we want them to see our agriculture in Florida. We are trying to promote in such a way that we can grab them there, have them contact our regional office, and we can get one of our people to take them on a tour of the State. But how much money the State should put into the advertising program I think should be up to the people actually doing the exporting, the ones getting the direct benefit. I think we should encourage them and give them all the know-how we can.

REMARKS OF PAUL J. FINDLEN, INTERNATIONAL TRADE FAIRS DIVISION, FOREIGN
AGRICULTURAL SERVICE

DR. FINDLEN: As an introduction to our panelists from the States I would like to go over rather briefly something about State participation that led up to the Munich event. You have heard from the previous speakers this morning that States have taken part in government sponsored events abroad.

It was mentioned by John Ligon that Virginia was in the Cremona Fair in September, about the same time that we were in Munich with the livestock show. Virginia has also been in Verona, Italy, on two occasions as were Florida and Oklahoma. Maine has been in the Manchester Food Show this last spring and at trade centers in London. So there is experience of a few States in previous events leading up to the Munich Food Show that was held this last September. Now, a bit about events that led up to State participation in Munich.

Two States--Pennsylvania and Illinois--contacted the Foreign Agricultural Service with respect to the possibilities of taking part in one or more of the trade fairs sponsored by the Department of Agriculture.

After considerable discussion by representatives of both States there was an indication at ANUGA based on experience at Cologne, Germany, that Pennsylvania was prepared to undertake a substantial participation in another event where the Department of Commerce and some leading exporters were prepared to take the initiative to bring together a substantial number of food manufacturers to take part in a fair.

Various conferences followed and it developed that a letter went out from Secretary Freeman in March to the Governors of 50 States inviting participation in the IKOFA show in September. Unfortunately, the decision of contacting you people through the Governors in the States left a very short time to reply.

The reason for having to give you this short time for reaching a decision was that we had already engaged a designer. He was faced with coming up with a layout. By the latter part of April we had replies from about ten States. Some were not sure, but expressed an indication of interest if they could find the financing and the interest.

We were then able to indicate to our designer that he should set aside an area of possibly as many as 10 to 12 booths or areas that could be devoted to State participation, and we would undertake to use the idea of a hall of States.

In addition, we had the cooperation of several commodity interests that you heard about yesterday. These included the commodities of poultry, rice, fruits, vegetables, both fresh and canned, soybean oil, particularly in the German market, dried beans, peanuts, and pecans. We circulated to the trade, through the Grocery Manufacturers of America, to determine food manufacturers interested in taking part not only in Munich, but Vienna and Paris as well.

It went out as a package approach to the trade--since there were three shows coming in the fall. As a result, we developed a plan for the exhibit that took into consideration the possibility of 75 to 100 individual firms that

would be interested in showing their products in a trade only area. We had eight commodity people who were interested in showing their products, and demonstrating or sampling them. And to add to the interest of the public in the products of the 100 or so potential manufacturers, we undertook to offer a demonstration kitchen area where the products of not only the manufacturers but the eventual seven States that displayed their products in the hall of States could be sampled, demonstrated, and prepared.

There are four States where the State department of agriculture, or the bureau of markets, were the responsible entity for carrying out these presentations--Maine, Michigan, Minnesota and Louisiana.

In the case of Illinois, it was not only the State department of agriculture, but also the organization that works with the State department of agriculture in Chicago dealing with the business development and export of all products of the State of Illinois. Then there were two other States where it was entirely a program of the State Department of Commerce but back of the scenes I am sure the State Department of Agriculture was consulted.

One other aspect of this State participation is the fact that the New York State Department of Commerce has an overseas office and representatives of that office were the people that manned the booth for New York. Other than that, representatives from each State came over to Munich, one or more in each case.

We were in a very strategic place to get a large number of persons visiting the American exhibit. I think there was a magnet that drew people to the American stand where food was being freely sampled. It helped bring in the crowds. With three of the States on the panel today--one of the States also in the audience--I would like now to call on Commissioner Schwandt to tell about his experience in IKOFA as representative of Minnesota.

REMARKS OF RUSSEL G. SCHWANDT, COMMISSIONER, MINNESOTA DEPARTMENT OF AGRICULTURE

MR. SCHWANDT: I was very pleased when the Governor of our State received the invitation for Minnesota to participate in the Munich Fair. He sent it over to me, in effect said, "Russ, investigate this. I think it makes sense--if you can figure out how to finance it let's go." And we managed to finance it by a number of means.

We had some very serious problems. I suppose I can call myself an 8-day expert of a trade show, because I was there for 8 days of the show myself. I didn't have any marketing people, nor my good deputy, Jerry Forbes, with me. This required my personal attention from about 8:30 every morning and be there until 8 at night. I don't know how you answer an inquiry from the Duluth fish industry, saying "How was our fish received" because when I left, we still had not found the fish they shipped.

I came into the Department of Agriculture out of agricultural business. In Minnesota, 40 percent of our economy is agriculture and food, and 80 percent of all the food that we produce and process has to be exported out of Minnesota into other markets. During the 2-1/2 years that I have been with the Minnesota

department, we have put together what we consider a highly successful out-of-State promotion where we go into the major metropolitan areas, many of which are much bigger as far as population or potential individual customers than our own entire population in Minnesota of 3-1/2 million people. Minnesota ranks fifth in total agricultural production dollarwise in the United States. We feel a real responsibility to seek new markets. I learned one very important fact at IKOFA. The food company needs to have its own representative in attendance. We endeavored to encourage some of our big names in food to do this.

Our promotion ended up in a rather positive manner on turkeys. We did a very good job with the turkeys because of the cooperation of everyone. Our industries are going to get as much good out of the trade show as they are willing to give. They should exhibit with proper brand names, proper labeling in the language of the country, and they should follow up on the trade show.

Now, actually Earl Olson, from Wilmar, Minnesota, is one of our larger processors of turkeys. Earl and his wife were in attendance. In addition, we had Lloyd Peterson, who raises some 2 million birds a year, and his wife along. So from the turkey standpoint, we had these people actually in the business. Plus we had the Executive Secretary of the Minnesota Turkey Association, Roy Munson and his wife along. So we put a lot of emphasis on turkeys.

Actually on Thursday Earl said to me, "Russ, my wife and I are going to Sweden. I don't need to see another buyer, I don't have to talk to another broker, I have enough contacts to sell all the turkey roasts I am going to be able to process in the near future."

I called him up yesterday because I was coming down here to appear on your program. He stated we were going to have to go back to follow up on all of these contacts.

So it is not so easy to put a tangible dollar value on immediate results. But I believe it is easy to recognize that a great potential is there. Processed cheese was another item. Land O' Lakes Creamery sent over a large carton of processed cheese. I have been in some 14 countries the last few years and had occasion to spend a few days in them, and in Europe I had sort of a layman's Minnesota agriculturalist attitude that a European would like an aged cheese, and fine Swiss, and cheddar. What would they do with American processed cheese?

Well, we gave away a hundred pounds at the booth or more in little bite-size cubes with a toothpick. The traffic was continuous--I don't know how many tens of thousands of people passed by--we served bite-size turkey and bite-size processed cheese. And I never heard such enthusiasm for cheese in all my life. I know there is an unlimited potential for processed cheese in this particular market.

We did not experience too much difficulty in getting our frozen turkeys there. Some nominal problems arose of course in this area as well as in preparation. But on the whole, I feel that in the kitchen where we prepared whole birds, turkey roasts, and had several demonstrations showing this type of an item, the preparation was excellent and the food was delicious, very

well prepared, and very well received. Now, I have a few comments. Number one, when the show is held at Cologne if you are going to include States again, Minnesota wants to be included. From a commercial standpoint, we cannot afford to miss this opportunity. In the meantime, we need to learn the proper procedures, and the way to get the maximum benefit out of it.

I appreciate this meeting for this reason, and I do have some recommendations. It would be my recommendation that the Foreign Agricultural Service on January 1 put a couple of specialists into the West German market to call on every potential buyer, talk to them, see that the participating States are provided with lists of people that are big buyers or brokers. This way we can make some individual contacts prior to the Cologne show. For example, if Monday, Tuesday and Wednesday are trade days, we can make definite appointments for our people to meet with actual buyers. When we had American Night at the IKOFA and invited in all the buyers and brokers, I didn't know who was a buyer and who was a broker. I felt this was unfortunate and that we missed a real opportunity. This can be corrected if my recommendation is followed.

We need to approach this on a more positive hard-sell basis. There is only one reason Minnesota is interested in going to Cologne, and that is to sell our merchandise.

REMARKS OF ROBERT M. SCHNEIDER, DIRECTOR, ILLINOIS DEPARTMENT OF AGRICULTURE

MR. SCHNEIDER: To start with, to get in this trade fair business, you have got to be an optimist. In 1963 we had no funds. I sponsored a bill through the legislature for \$158,000 for an advisory committee for the sale of agricultural products from Illinois. One had been defeated in 1961 for less money, and I came back in '63. I was fortunate to get it through. In 1965 it was increased to \$177,000.

Now, to evaluate things--but it is hard to evaluate this kind of promotion. For years we had the International Trade Fair in Chicago where our department had a booth. We are still getting letters about agricultural products. We exhibited at the New York State Fair for 2 years and had a booth up there on agricultural products from which we are getting letters.

Our actual costs ran about \$16,600 at the Munich Trade Fair. There were 12 companies from Illinois that showed up. The actual sales that I know were made included 50,000 pounds of popcorn. Above all things, we have a confirmed order for 200 tons of horseradish. And since that time there has been another order taken for 100 tons. This is 300 tons of horseradish. Now, if 3 months ago we guessed what product we were going to sell over there, I don't think anyone would have mentioned horseradish.

In conclusion, I thought it was quite successful. If there is any criticism here, I think it is constructive. I think we need to sit down with USDA more during the winter, as Mr. Schwandt said. I think the States ought to have maybe 5 minutes at their own for meeting people. And I say this constructively, not destructively.

I can only tell you that I think you should go home with the idea of trying to figure out a way for your own State to participate. Thank you.

REMARKS OF H. G. HAWES, CHIEF, FOREIGN TRADE DEVELOPMENT, MAINE DEPARTMENT OF AGRICULTURE

MR. HAWES: I went to a meeting in Maine yesterday. The first thing I had to do was explain why we took lobsters to Germany.

Perhaps I should say at the outset that lobster was one of eight farm and fisheries products that we had in the booth. Lobster is an item that we can export. We went to a great deal of pains, and some people might say difficulty, to arrange to keep live lobsters in a tank at the show. We did it for two reasons.

First, we can export. Secondly, we wanted a living, moving attraction for the visitors in the Hall of States. And we think that it worked from that angle and we are assured now that there will be some reasonable sales and some reasonable volume, bearing in mind that Maine lobster prices are high at the present time.

But think about this. We in Maine complain that we pay \$1.39 a pound for lobster in our chainstores. In Hamburg, the consumer pays from \$5 to \$7 a pound in the shell. So even at present price levels, there is an opportunity to sell lobster abroad.

We have heard so much about the Baltic lobster, and the Norwegian lobster. They tell me Scandanavian lobster is selling in Scandanavia from \$3 and \$4 a pound. So our competition is also high-priced.

Lobster was our gimmick; but it is salable in reasonable volume. The principal product that we had at Munich was of course, our poultry. We are not one of the leading export States. We export approximately 4 percent of our production, which is in line with the national poultry meat average. Up to the time of this year, we have exported in the institutional packs.

To make our presentation at the IKOFA more interesting, we were able to solicit exhibit material from two of our processors interested in supplying new retail packs to the German market. One of the two concerns is represented on a long-term basis by a leading poultry broker, and that concern called about 10 days after the show to say they had taken orders on four of the new retail packs that we had offered for them.

Now, again, among the packs that we showed for that company were portion-controlled boneless breasts. Obviously this is a product that we do not produce in sufficient volume to supply the domestic demand. So why do we take it to Germany? Because the attention that it received in the IKOFA booth, and that it will receive now in the markets that are buying it, this will help us sell the ordinary simple packs, even the retail packs of backs and necks, and may help on institutional sales.

As long as that particular company is willing to ship a reasonable quantity of the fine portion-controlled breasts, certainly we are going to achieve a great deal of advertising value for a variety of associated products.

Maine cannot give you very much in the way of a concrete success story on sales for the simple reason that no Maine concern was represented, except through our department operation, at Munich at the time of the fair. The orders picked up by a broker were obtained in a few days immediately after the show.

The frozen squash and frozen turnips we showed there I believe will sell in the market. The reaction of the German people was exceptional. Potato flakes have been sold by Maine in Germany over a period of years but have been off the market there for 2 years. So we took the new retail pack of potato flakes and we have some hope of sales.

But we have the handicap, and I expect it is shared by many of the States exhibiting at international shows, that businessmen did not accompany us to the show. If we could organize small trade missions to the International Food Fairs, we would have a great deal to talk about.

What our gimmick, the lobster, did for us, in addition to keeping a crowd around the booth, was to give us publicity. The Associated Press had a story about our lobster on the wire in Munich the closing day of the show, which came about because we were bringing one lobster back to Maine--simply because the Germans got a little bit interested in the rather peculiar personality he demonstrated when he tried to nip my associate in the booth when he picked him up for demonstration purposes.

So St. George, as he was called, became the subject **first** of an AP story out of Munich and later of stories from Lisbon, which we passed through on the way home with the lobster. And finally, about the time we arrived home, there was a UPI story from Munich and a second one from Boston--just simply on the fact that two salesmen from Maine were bringing back a lobster because the German people didn't want him boiled alive. It actually worked beautifully from the standpoint of securing publicity. If we don't secure publicity, we certainly are not going to have much support for the products that we are inducing the trade to buy.

I would like to say that Maine has wanted for a long time to show at an International Fair of this sort in Europe. Most of our foreign show experience is on our State of Maine ship, the training ship of our Maritime Academy, which takes winter cruises to foreign ports and carries our exhibits. This is where most of our actual sales work is done.

We have participated in various fairs. But we do feel that an international food fair in Europe has particular advantages. It is, after all, the place where the importers, or the food buyers are accustomed to buy. It is much easier in my opinion to sell them at an international fair than at a trade center.

REMARKS OF DONALD E. WILKINSON, ASSISTANT DIRECTOR, WISCONSIN DEPARTMENT OF AGRICULTURE

MR. WILKINSON: I do welcome this chance to take a few minutes to explain our answer for the time being to this question--where does a State department of agriculture fit into a foreign market opportunity. I am referring now to

the London Trade Center, one of three that you have heard about. And I am referring to one of that trade center's shows, one of two that FAS holds during the year. This one is called the Selected Fancy Fare from America. It is a special product type of exhibit. This had developed many months ago and it was not until the last minute that our department was granted the invitation to become involved.

What happened in this London event was this. FAS sent invitations to the cheese industry of the United States offering them the opportunity to exhibit these specialized products--not the bulk cheddars, not the bulk Swiss, but the smaller consumer packs, the cheese spreads, the processed packages, the individual portion control items. Only two cheese makers responded to FAS, and ultimately only one of those was able to exhibit.

FAS then tried the other national organizations, first the FAS cooperator, which is the Dairy Society International, and they could not help to any great extent. Neither could the American Dairy Association.

Fortunately, the Agricultural Attache's office in London, and the FAS Dairy Division, came up with the idea that since many of these specialty companies are headquartered in the State of Wisconsin, or take a great amount of their product out of Wisconsin, the Wisconsin department of agriculture could play a role. This was the opportunity that was presented to us, as late as the second or third week in August, and this show was the first two weeks in October.

We immediately contacted our cheese industry--with whom we have worked the last 15 to 20 years on intensive domestic cheese promotions. We knew how they felt and together we went into this event. I am happy to indicate that where there was only one before, there were finally 10 domestic cheese companies displaying products in the London Trade Center.

This was a unique opportunity. First of all, it is different from a trade fair. A trade center is a much smaller and intensive operation. Only trade people are invited--in fact they are the only ones permitted into the Trade Center during a normal show. The general public is excluded.

So we did not have a large number of people to contact, we did not have large amounts of the product to disseminate. But it was organized in a very good fashion. Here I commend the FAS people and the Agricultural Attache's office. The latter incidentally, was very helpful to us for they had four major receptions during these 2 weeks. First they had a very important one on the opening day for the press. The second reception was for the wine industry. I should mention the products exhibited here were nuts, fruits, wines, rolled turkey products, cheese and some others. The third reception was for the grocers--a very important group for us.

The fourth one was for the caterers. And we found out that the caterers over there have a different connotation for it means all who are involved in restaurants, hotels, hospitals, and groups of this nature. These receptions, then, presented us the people that we wanted to contact.

But the exhibit was not complete in itself. The Director of the Trade Center gave us a complete roster of the people in the London metropolitan area important in food distribution. Prior to two final receptions I called many of them on the phone telling them that we were looking forward to meeting them, and then after the reception we followed up with luncheons in the embassy with some of these key people.

Now, the results: Number one, our job was to secure agents for one or more of these nine cheese companies. I am now returning to Wisconsin to report to the cheese industry that two of the major companies are ready to have agents if they are willing to accept two of the best ones in the London area.

Secondly, we got to meet the major wholesale and retail people--the large supermarket chains or as they call them, the multiples. We acquainted them with the fact that the United States has cheese products to sell.

Number three--this was an educational process for me and the industry representative. We learned, for example, problems in labeling, because Swiss cheese to us is not Swiss cheese to them. Swiss cheese to them must be manufactured in Switzerland. This is what we were told in the United Kingdom. So we have labeling problems. We have packaging problems. But we welcome this opportunity to be part of a new venture in the London Trade Center.

DISCUSSION - MR. EASTMAN OF MAINE: I am curious Mr. Schneider, how you stretched \$16,000 in that show. Did you take a lot of people?

MR. SCHNEIDER: The \$16,000 involved the rental space, the hiring of two girls, our own program. We gave out 10,000 shopping bags with the State of Illinois emblem. We bought cups and gave away 30,000 cups of popcorn. We got the popcorn for nothing. We got the machine to use for nothing. We had to buy the bags. So you go into 10,000 shopping bags and pamphlets and brochures--40,000 samples of salted popcorn, 10,000 shopping bags, 5,000 Illinois information booklets, 2,000 business cards, 1,000 salt containers of the 10-cent size--we gave it to the people with the popcorn, to try to see if they wanted more or less salt on it. We didn't salt the popcorn heavily. Five hundred directories of Illinois exporters. Some Swiss cheese.

And we hired two German girls. There were four of us from Illinois--two from Economic Development. There was a German girl. We let her do some selling. They recognized she was German and born over there. But this is the way the cost was broken down. I was trying to evaluate what it would cost you to go over there, and I would say in fairness that is about what it would take.

MR. DRIGGS OF NEW YORK: I would like to ask how your three States are going to follow through. I know you had your people there at the trade fair. But now that they are back home how are you going to follow through?

MR. SCHWANDT: I would like to comment on this. Before I do I would like to refer to this booth and display problem. We had our own problems in our own way. If States are going to participate, there is a lot of merit in all States getting together with USDA and having some uniformity from the standpoint of displays that are in these booths.

There is no point in Illinois being right across the hall from Minnesota, both of us pushing turkey, for example. I think as States we can get greater emphasis through uniformity. But I think that a booth display can vary tremendously in cost. I think we can save money and have better-looking State displays if we get uniformity.

In regard to your followup question--we are going to get together and discuss procedures. I have had many brokers write me letters and it is a question of what client they now have.

MR. DRIGGS: You can do this by correspondence rather than by people going back abroad?

MR. SCHWANDT: Some of it. Companies that have a potential for export and are able to do it are going to have to work with brokers. They have no choice.

DR. FINDLEN: On this matter of followup I should bring to your attention there is a list of buyers or commercial people who came into the trade area that is in preparation which will show the names of the visitor, his firm, his address, who he was, whether he was a buyer or an importer or institutional representative, and what his product interest was.

MR. SCHWANDT: From the turkey standpoint particularly, we did spend a lot of time with USDA personnel in the embassy--in total poultry promotion. We did spend a lot of time with them, and actually are going to count on them to some degree, too.

MR. SCHNEIDER: We gave away 500 brochures of people handling food products. I mean everyone we could contact. We have received numerous letters already back from the Munich Trade Fair. But we cannot sell a thing. We can only lead these people to firms and from there on it is their job.

MR. HAWES: In our case, there are only 6 or 7 suppliers involved. We can work with them closely. If they do not follow up, we will be able to do something by mail or at some future event in the area.

MR. EASTMAN: Was the \$500 rental fee a realistic fee for the booth, or was that also subsidized by FAS?

DR. FINDLEN: That was also subsidized by FAS. The question was--was the \$500 rental charge realistic, or was it subsidized? Did you have any comment to add, Bob, other than we have subsidized that?

MR. SCHNEIDER: I have one final bit of constructive criticism. What we are running into in Illinois is now a problem of trying to get people who are knowledgeable in exports from college. We don't have the professors who know a thing about it themselves and if they are not exposed to it at all, they can't teach it. You cannot sit here writing theory in a pattern if you have not been in the trade or the business. Through our department, the USDA and Extension people I think we should try to get people into the export subject.

MR. HOWARD: We have had a good run through on the role of the Government in helping the new exporter. We have heard about the work of the Department of Agriculture and the Department of Commerce. We have heard about what is happening in the States, and the role of you people in the whole field of helping expand exports. This morning we move into a third phase.

The question which has been addressed to each member of the panel is this: "You are working for the State department of agriculture in one of our States, and a would-be exporter of agricultural products comes to you and asks, 'What help can I get in exporting from you?'"

Our panel consists of a representative of a combination export manager, a representative of a steamship line, and a bank representative. The thesis we hope to get through is that exporting is not too different from domestic selling. It is merely that some of the vocabulary is different--you use a different language. But the basic transactions are pretty much the same. And to the extent there is a difference, there is somebody in private industry who, for a fee, can perform the service and bridge this gap.

REMARKS OF COMBINATION EXPORT MANAGER, JOSEPH A. SINCLAIR, SECRETARY, NATIONAL ASSOCIATION OF EXPORT MANAGEMENT COMPANIES

MR. SINCLAIR: When a processor or producer says he wants to get started in exporting, he presumably believes he has an exportable product. That is a basic assumption to begin with, based on perhaps his competitors doing export business, or his own inquiries, or orders from foreign buyers or export houses in the United States.

You people are very much in the same position I am. None of us are directly in export operations, but we get these kind of questions. The manufacturer or processor has to make some basic decisions. He has to decide how much time, effort and money he feels justified in investing in developing export sales. His decision should be based on what he can learn of his export potential, and also, of course, his ability to finance and supply the necessary management supervision and trade personnel.

He has three choices, as I see it, on how he will export: First, of course, he can set up his own export department. Or, second, he could use the services of an export management company, or as they are more commonly called, a combination export manager. Or, third, he can have his own domestic sales department contact export merchants in various parts of the country, and foreign buying agencies. He can follow up on the leads and inquiries that he can obtain from the U. S. Department of Commerce, the airlines, the steamship companies, and probably get some help from his bank. There are other channels, too, that publish such trade leads.

If he decides to set up his own export department, he can probably figure on an additional overhead to do a good job, and that is the only way it can be done.

He can figure on an overhead of at least \$50 thousand a year--to cover costs of capable personnel, foreign language promotional material, overseas travel, and mail and cable expenses. And he must be prepared for a very limited return on his investment for the first couple of years. This is normal but not always the case. Also, he has to be prepared to extend longer credit terms than in the domestic market, and to wait for payment, in many cases, from 90 to 180 days, or perhaps even longer. All business cannot be done on a letter of credit.

If the processor, particularly if he is at an inland point, must engage the services of a foreign freight forwarder at one or more points to handle the documentation--he will still find it necessary to have an export traffic manager, someone in his own traffic department, to supervise export shipments and to work with a foreign trade forwarder.

If the manufacturer wishes to avoid spending time, money, and effort to go after export business on a continuing basis, or there is some doubt that the potential business would justify the cost in maintaining his own export department, his next, and perhaps logical choice, is to use the services of a combination export manager, or C.E.M.

In fact, as far as potential business is concerned, it has been demonstrated that the combination export manager frequently can do a more efficient job, more economically than the manufacturer's own export department.

Back in 1963, there was a White House Conference on Export Promotion, called by the late President Kennedy, and part of their report stated, "By selling to, or through, combination export managers, quicker results can be obtained while avoiding export complexities and unnecessary risks. The Committee strongly recommends that approach, rather than do-it-yourself methods."

And I want to inject here that in general it is considered uneconomical for a manufacturer to set up his own fully staffed export department to handle his own direct exports unless his annual export sales volume is at least several hundred thousand dollars.

The individual orders are small and numerous, and require a large specialized staff for processing. The markets are dispersed over a wide area, making the cost of contact that much greater. The volume from various individual countries, or even the marketing areas, is small--even though the total markets might be substantial. There are a number of other reasons. Those are basically the important ones.

When it comes to dealing with a combination export manager, there is a choice here also. These exporters operate in one of two ways. They can act as the manufacturer's sales agent, selling in the manufacturer's name--I am using manufacturer, processor, producer, as the same thing--and using manufacturers stationery and invoicing, with the producer assuming credit and financial risks. However, today most manufacturers, especially medium and smaller ones, want cash and not credit, and avoidance of the complexities of foreign trade.

Most combination exporters, therefore, act in the capacity of exclusive distributors on a principle to principle basis, rather than as commission agents. They assume all of the responsibility and risks involved from the time the merchandise is shipped from the factory.

Basically, the processor is performing a domestic transaction in that he is selling in a domestic market to these exporters. He has given the exporter his exclusive distribution for all export markets, or designated markets.

Thus the combination export manager relieves the processor of the heavy overhead of an export department, including sales and traffic personnel, financing, credit risks, foreign travel expense, sale promotion, personnel to handle multilingual correspondence, and the cost of forwarding and distributing literature abroad.

For these risks and services, the manufacturer allows the combination export manager a discount from his lowest domestic distributor price, and the C.E.M. then sells to the foreign buyer at the same price the purchaser would have paid if he had dealt directly with the manufacturer.

In other words, the combination export manager is in effect the manufacturer's export department. But he is also acting for other manufacturers of affiliated but noncompeting lines. Manufacturers use the services of combination export managers because they get better, quicker, more effective and efficient results with less expense and with nominal risk.

In a nutshell, an export managing company may be defined as an independent export firm that acts as the exclusive export sales department in designated overseas markets for a group of manufacturers of related, but not competitive lines. The combination export managers have their own overseas offices or agents, and/or distributors, geared to produce sales for the particular products in which the exporter specializes. Some of the larger firms have two or three different departments specializing in different types of products. But the majority of them specialize.

Since its compensation is entirely dependent on sales, the exporter must give maximum service to overseas customers and maintain those contacts with them. Of course, the manufacturer must cooperate with his export distributor by providing the necessary product information such as catalogs and promotional material. He must comply with the exporter's instructions with respect to invoicing, packing and marking. And, of course, he must fill orders promptly in accordance with the specifications of the foreign buyer. Otherwise, the foreign buyer won't continue to be a buyer.

Earlier I stated that combination export managers can do an efficient job more economically than the manufacturer's own export department for lines with sales up to half a million dollars or more a year. As a matter of fact, one of the largest food processors in this country recently turned over its entire export operations to one of the members of our association.

These arrangements, I might inject here, between manufacturer and combination export manager vary very widely, and compensation, of course, is according to the risks and responsibilities of the manufacturer in the promotion and development of markets.

In this particular case, I understand that the manufacturer or the processor is paying the expense of one of the officers of the export firm to do a market development job in 40 countries, which means that one or more of the exporters' executives are going to be traveling for the next couple of years. Of course, in the foodstuff business, as you know better than I, the compensation is generally on a quite lower percentage basis. You have to remember, also, that there is a foreign agent involved in the foreign market who is compensated generally on the same basis as the food broker would be in this country.

The 70 members of our national association of export management companies handle the exports for manufacturers in practically every State in the country. And a surprising number of western and midwestern States are represented by firms in New York.

In talking to some of the State Commerce Department people in various States, there is also a feeling that the exporter should be in the State in which the manufacturer is located. Here his location is of great unimportance, because it is not where he is located, it is how much goods he can sell abroad, and not in this country.

I have been asked to comment briefly on foreign freight forwarders. Their primary job is to supervise the physical movement of goods and prepare shipping documents. They book space on vessels, take care of marine insurance, and through their close contacts with steamship companies and other transportation agencies, are in a position to give shippers the benefit of their detailed knowledge of traffic conditions, government regulations, and other factors needed for efficient and economical handling of cargo.

To obtain all the information needed to take over the shipment at seaboard, and forward it abroad, the forwarder supplies the shipper with an instruction form to be filled out in detail for each shipment. That completed form must be forwarded by the processor, shipper, to the forwarder, so he will receive it before the goods themselves arrive at seaboard, because delays may result in additional charges for demurrage, storage, and so forth.

The forwarder prepares the export documentation and arranges delivery to the steamer. Forwarders also may combine shipments of several clients and send them abroad on a single bill of lading to avoid the cost of minimum bill of lading fees.

There are many thoroughly responsible and capable foreign freight forwarding firms in New York and other ports, but shippers should exercise the same care in selecting their foreign freight forwarders as they do with regard to any other service industry that they are dealing with.

If you have any questions, I will be glad to answer them.

DISCUSSION - MR. DON OLSON OF WASHINGTON: You mentioned the fact that fees are on a relative basis--I presume upon the value of the product?

MR. SINCLAIR: No. The fees are based upon the responsibilities given the exporter. In some cases, as I have indicated, he may or may not assume all the credit risks.

MR. OLSON: Let's take an example: Where he doesn't have any credit risk, and it is a food product, what is an average percentage that he would operate on?

MR. SINCLAIR: Is it a new product, is there going to be promotion?

MR. OLSON: Not new in this country.

MR. SINCLAIR: Is it new in the market he is going to develop? How much promotional expense is going to be involved? How much literature is he going to prepare or translate? How much is the processor going to provide? Is he going to add a separate promotion fee to whatever the commission allows it to be?

MR. OLSON: Let's assume for the time being--I am thinking now of just handling transactions, outside of promotion. Let's say just handling the deal.

MR. SINCLAIR: Well, I would say it would certainly run around 5 percent in most food products.

MR. OLSON: Then your promotion is over and above that?

MR. SINCLAIR: Yes. And, of course, it would have to include about 1 percent for the overseas agent. The volume of business likely to occur under the agreement would also be a factor, of course.

DR. FINDLEN: You mentioned a minimum fee for a bill of lading. Do you want to explain that a little bit?

MR. SINCLAIR: The minimum bill of lading fee covers a very small shipment--usually a \$5 minimum. Maybe the goods are only worth \$50. So you can save by consolidation.

REMARKS OF ROY A. GANO, VICE PRESIDENT, MOORE-MCCORMACK LINES, INC.

ADMIRAL GANO: I am happy to be here this morning as a representative of the Committee of American Steamship Lines, commonly called CASL. My purpose will be to explain to you how we who operate American flagships can help you--the producers and exporters of agricultural products. American shipping falls into four major groupings: (1) Common carrier or liner operations. (2) Contract and dry bulk carriers. (These are the carriers of the bulk grains in shipload lots.) (3) Tankers. (4) Dry cargo carriers and tankers engaged in the domestic trade, for example, on the Great Lakes, coastal, and intercoastal waters.

I will concern myself this morning with the common carrier or liner group only. This constitutes that part of the United States ocean-borne shipping eligible for long-term operating subsidies and embraces the 13 American lines under the CASL. It is the only maritime group, I might add, which has undertaken a major fleet replacement program.

The present active liner fleet consists of about 400 cargo liners and 30 passenger and combination passenger and cargo vessels. This is the fleet which carries the vast majority of high value cargoes moving in our foreign trade. Each CASL company contracts with the U. S. Government to sail a specified number of voyages a year on its assigned trade routes. There are regularly scheduled sailings on all 31 designated essential trade routes. The ships in this group are privately-owned, fast, and especially designed for carrying general and reefer cargo. The officers and men who sail in these ships have an irreplaceable storehouse of experience in the trade routes they use.

At the present time the United States Merchant Marine is being credited with carrying only about 9 percent of our foreign commerce. This figure is correct if you take all segments of the industry into consideration. The privately-owned liner group of ships, however, carries about 37 percent of our dry cargo based on revenue, and in the liner trade this is the best means for measuring market penetration.

It is good business to ship in American ships. Basically it helps our nation and that should be reason enough. But there are other factors. Shipments in American flagships avoid disbursements in foreign exchange by something like a billion dollars a year. Certainly a significant item and one which has been a subject of recent Presidential interest.

Shipments on American flagships contribute to the growth of American industry, and thereby strengthen the free enterprise system. Under Federal law every dollar we spend on crews, on ships, and almost all supplies must go to Americans. American ships guarantee the maintenance of our indispensable ocean lifelines of trade.

American flag liners provide highly competitive freight rates and service packages including containers, a fact which needs additional exploitation among our American exporters. International steamship conference rates are alike for both American and competing member lines.

America's peacetime prosperity depends upon its expanding export and import trade--measured in billions of dollars--98 percent of which is transported overseas by ships. Maintenance of a fleet of dependable, regularly scheduled cargo liners insures United States world traders of uninterrupted services to every major world market.

Because the committee of American Steamship Lines companies have contracted to serve the American foreign trade exclusively, the fortunes of these lines, unlike foreign flag liners, are directly related and irrevocably bound to the well being of United States foreign trade. The CASL member companies spend nearly 17 million dollars annually to promote trade between the United States and 450 foreign ports in scores of countries.

The need for a strong and vigorous American maritime industry is essential to a strong and vigorous America. What is good for American trade is good for American shipping.

Now, as promised, let's look at an area where American flagships can help you. The shipping industry, the 13 American lines, maintain 327 worldwide offices that are specifically designed to help you develop and follow up trade opportunity. CASL wants to volunteer to you the part-time services of 1,300 salesmen in every corner of the globe. These salesmen have a wealth of experience in doing business in every area they serve. American shipping lines can pinpoint new markets, offer traffic advice, investigate market developments, and locate new sources of supply or outlets abroad. They can advise you on duties, license controls, competition, cargo handling facilities, packing procedures, what advertising media is available. We will be happy to arrange itineraries, routes, and appointments for your representatives who go abroad seeking new markets.

Let me give a few examples which have been rendered by the Trade Development Bureau of Moore-McCormack Lines. The records for the past four months alone show that the company has helped a manufacturer of specialized chemicals to find an outlet in South Africa; a Florida exporter to find a distributor in Rhodesia for manufactured synthetic products; a Nashville manufacturer of specialties to find a sales outlet in Kenya; a New York adhesive manufacturer to find an outlet in South Africa; a Pennsylvania manufacturer to find an outlet in Brazil for certain steel products; a New York manufacturer of dairy equipment to find a distributor in Brazil.

The trade development efforts of Moore-McCormack are only a part of the worldwide effort of the liner operators who are members of CASL. I would like to suggest that the efforts of CASL can be of valuable service to you in the export promotion of food and agricultural products. We in CASL are prepared to set up workshops in any given area where potential exporters are prepared and able to receive personal guidance and assistance in problems relating to trade developments and expansions.

DISCUSSION - DR. PARAJON OF FLORIDA: May I know which of these companies are able to handle livestock, refrigerated or frozen meats?

ADMIRAL GANO: The shipping lines are prepared to put a container into any place where you have frozen meats or frozen foods. They will transport it from your particular place where you have a business, right through to the destination in Europe or wherever it is going. Livestock on the hoof is not normally handled by the liner companies. This is usually under contract carriers. But, there are certain instances where it has been done.

Lately we have been working with the Department of Agriculture in moving frozen beef to Europe. And also, we move beef for the Department of Defense which is moving at 28 or 29 degrees, so it can be hung and put right into the commissary stores overseas.

MR. ROBERT THAYER OF WISCONSIN: Who is responsible for the shipping from the point of setting the product on the wharf or on the dock, and then getting it into the steamship line, and then after it travels by the steamship line and arrives on the dock at the other point? How can we be sure back home that the product gets to the destination in the best possible way? It seems this is where some of our problems presently are arising in this shipping point.

ADMIRAL GANO: I think, as Mr. Sinclair explained, it depends on whom you are going to have act as your agent. A freight forwarder would normally do these things. In our shipping lines now, we are prepared to put a container at any particular manufacturer or any particular producer of foods, right along side his warehouse, and from then on we will take complete charge of this container until it arrives at the destination.

This will mean travelling on a railroad, piggyback, or maybe on a truck. It all depends upon the arrangements that we have from a particular place where you are. There is also service out of the Great Lakes, as you well know, during the proper months, for ships that come in there.

Not too many American ships come in there. But there are now ships going to South America, to Africa, and Europe, which are under American flags. We are interested in having you export, and we know that when you get around to it that the American flag can give you the best service. On this through bill of lading, as we call it, the through bill can really give you the proper service, particularly when you use containers.

MR. WALLACE JOHNSON OF NORTH CAROLINA: We find in shipping cotton out of eastern ports, that the same rate applies from Gulf ports as it does from the eastern ports, and this puts us at about a \$7 disadvantage competitively in Europe. Is there any procedure that can be arrived at? If we ship on foreign flag lines, we can sit down and negotiate rates--they are open. With American rates, of course, they are set. Is there any way to overcome this?

ADMIRAL GANO: Actually, when you negotiate your rates, you negotiate them with a conference, unless you have a particular arrangement with a foreign flag. All American flagships, are in a conference. The conference sets the rates--whether it be estimated cost or governmental cost, and they are generally the same going to Europe. So if you have a quarrel with the rates, you should write to the conference secretary to have it reduced.

REMARKS OF CARTER H. DOVE, VICE PRESIDENT, RIGGS NATIONAL BANK

MR. DOVE: I have been asked to address myself to the question of what a commercial bank can do to help a fledgling exporter get into the export business. What is the role of the commercial bank in international trade?

At the outset let me say that there is very little that a full service bank cannot or will not do for a potential good customer short of producing the poultry or growing the soybeans that will eventually be sold overseas in one form or another. We could list as some of the services the following: (1) Marketing information. (2) Up-to-date information on the business climate in specific areas. (3) Advice on foreign trade and trade regulations.

(4) Credit information. (5) Foreign exchange (buying and selling of other currencies). (6) Financing, with advice on international payment and financing techniques and devices.

I will enumerate several of those techniques and devices at this time and will return to them later to discuss at least one instrument, the letter of credit in some detail. These devices are: (1) Consignment, (2) authorities to purchase, (3) cash deposit, (4) open account, (5) drafts for collection (drawn in dollars or foreign currencies at sight or time), and (6) letter of credit (in dollars or foreign currency--sight or time).

Regardless of who enters the export market one thought must remain uppermost in the mind of the new exporter. He must think and familiarize himself with all aspects of foreign trade. He must make himself understand that trade customs and procedures differ from country to country. In this respect the bank can be of unique assistance by advising--but the bank cannot make the exporter's decision and the exporter should not take action without sufficient knowledge.

I would like to tell you a true story of how one company broke into the export field. Soon after I joined our foreign department 12 years ago, we received a call from an irate citizen who identified himself as the treasurer of one of our good corporate customers. He was obviously furious and his anger seemed to be directed toward us even though, as it developed, we had nothing to do with what had caused his ulcer to gurggle. As his problem concerned international trade we asked him to come in to see if we could assist him. Half an hour later in came Mr. Fury. Gentlemen, he was the classic example of a man who was so annoyed with circumstances that he could scarcely talk. To make the scene more ludicrous he was a red-complected man and as he spun his tale of woe to us he turned purple. During the course of his tirade two phases were repeated several times. They were, "chiseling bankers" and "damn foreigners."

To make a long story short, Mr. Fury had received an order from overseas (his first) which was to be paid for by letter of credit (also his first experience). The order was small and was shipped properly. However, when trying to collect under the letter of credit everything conceivable was done wrong. That had been 6 months ago and Mr. Fury still didn't have his \$500.

We volunteered to try to assist Mr. Fury and were successful within several weeks in collecting his money for him. During that time we got to know Mr. Fury pretty well and he admitted that he had gone into the transaction without sufficient knowledge. He even tempered his language somewhat so that bankers were not necessarily "chiseling" bankers and that possibly some foreigners were O.K. We were even able to persuade him to enter into another export transaction. We convinced him that with his product he should continue to seek export markets, and we offered to hold his hand until he had completed a transaction. By advising him, by letting him have access to our library of foreign trade, by explaining export techniques and financing devices, by assisting him with his letters to potential buyers outlining payment terms, by getting credit information, and finally by handling the financing (which in this case was by bankers acceptance) we converted him. What had commenced as

a troublesome \$500 order has now evolved into an essential part of the corporation's business. In 1965 Mr. Fury's firm did over \$1,500,000 in export business, and I understand that 1966 will be even higher. This has happened in 10 short years.

Now that we have had a description of the trials and tribulations of a fledgling exporter, we must return to our financing devices. For the beginning exporter it is best that he include in his instructions to the buyer that payment is to be made by irrevocable letter of credit issued or confirmed by a United States bank, preferably his (the exporter's) own bank if that can be managed. Don't forget that word "irrevocable." It is the most important word in the credit.

Why is it wise for an exporter to have a letter of credit in his hands before he ships? Because, next to cash, a letter of credit affords the highest degree of protection as it eliminates the credit risk of the buyer and foreign exchange restrictions or political upheavals when confirmed by a U. S. bank.

You might ask now, why did Mr. Fury have so much trouble if letters of credit are so safe and sound. If you refer to the sample letter of credit being passed among you, you will see that in order to collect your money you must comply with certain conditions. Mr. Fury did not and rapidly became disenchanted with bankers when they said that he must comply or he wouldn't get paid.

The first thing one should know about letters of credit is that to be of any value they must be "irrevocable" which means that they may not be altered, changed, or amended in any way without the agreement of all parties concerned.

The next thing we should know is that the credit carries the guarantee of a bank or, if the credit is confirmed, the guarantee of two banks, the foreign bank and a U. S. bank. This is important because we now see that the seller--the exporter--does not have to rely on the buyer to pay him, but has the word of at least one bank that he will be paid when he complies with the credit.

We keep talking about "complying with the terms of the credit." If you will take a look at your sample credit you will see that it agrees to pay on production by you of certain documents by a certain time. Mr. Fury didn't do what all exporters must do the moment they receive a letter of credit. Read it! Then read it a couple of times more.

There are several questions one should ask himself when he receives a letter of credit. They are: (1) Do I have time to produce my merchandise, get my paper work done, and ship the goods before the letter of credit expires? (2) Are there any documents listed that I can't produce? (3) Is the credit conditioned on a factor beyond my control?

While we haven't time to go into all elements of a letter of credit, it is the safest way for beginners to demand payment but it is only as good as the exporter's ability to perform under it. Most desirably the credit should be brief, concise, and not contain prohibitive restrictions. It must always be remembered that a letter of credit is not a method of quality control nor is

the bank concerned with the underlying contract. A letter of credit is only a means of financing.

Now we come to your choice of banks. When the exporter chooses a bank it would be wise to choose one with a sophisticated international department and, if possible, one with a large correspondent network overseas. Obviously this is impossible in a large number of cases particularly when the area where the exporter is domiciled is largely rural. In such cases the commercial banks in smaller cities and towns will have correspondent banking relationships with large banks in metropolitan areas. The results will be the same when the smaller bank uses its city correspondent even though there might be some delays encountered through lack of direct communication.

Some of the advantages of using a bank with a large foreign department are: (1) They have wide-spread overseas correspondent relationships, in dollars and foreign currencies, making it easier for collections and letters of credit to be handled. (2) Credit information from overseas sources is more readily available and usually more reliable. (3) The exporter will be able to consult with experts and specialists who will be able to devote time and effort to making his enterprise a success. (4) Large foreign departments are usually in close touch with experts in related fields such as freight forwarders, insurance companies, shipping companies, warehousemen and many others.

A word now about some of the other payment and financing devices. Second in importance to letters of credit are drafts drawn by the exporter on the importer for collection through banking channels. In the overwhelming number of such collections there are attached to the drafts certain documents, the most important being full sets of bills of lading conveying title of the merchandise to the importer.

Drafts may be drawn at sight or on a time basis and may be in dollars or a foreign currency. As there are few uniform regulations governing the collection of documentary drafts it is necessary that definite understandings exist between the importer and exporter. These understandings should be communicated to the collecting bank at time of collection.

Authorities to purchase are little used instruments which merely designate banks where the exporter may negotiate his documentary recourse or non-recourse drafts. Never enjoying much popularity in industrial countries, authorities to purchase are gradually disappearing from the banking scene. Any other financing and payment devices cover so little of foreign trade that it is really not necessary to discuss them.

DISCUSSION - LESLIE W. DRIGGS OF NEW YORK: I would like to address this to the Admiral. Forgive my ignorance in export terminology, but did you imply that the steamship line could also be the freight forwarder, inasmuch as he picks it up at your place of business, and insures that it gets to the destination?

ADMIRAL GANO: No, he would not act as a freight forwarder. However, we are prepared to get containers to the individual manufacturers or producers in order to give them means for getting their product from one place to another.

In other words, this gives you the benefit of a through bill of lading where you don't have to worry about having to do many of the things, which can be arranged right there with you, such as having a container, and putting it aboard rail or truck. And then arrangements will be made overseas by the shipping company to get it to the destination. But they, again, would have to go through a freight forwarder overseas. I might just add that this is because of the container business, which is growing tremendously. Most of the shippers, particularly to Europe at the present time, are converting to containers. Many of the new ships that are being built are all containerized ships.

This is the method of shipping sophisticated products. There is still a need for what we call break bulk, or vehicle traffic. Some of the lines have what they call roll-on, roll-off capability, which means that they will have an opening in the stern where you can drive the truck or container or vehicle or automobile right aboard ship, and then when it gets to the destination roll it off the same way. About 50 percent of the shipping costs is in the handling of the cargo at the docks--loading and unloading.

REMARKS OF KENNETH K. KROGH, ASSISTANT ADMINISTRATOR FOR MARKET DEVELOPMENT,
FOREIGN AGRICULTURAL SERVICE

MR. KROGH: I can fill you in a bit on some of the things that are happening in the air cargo field that have great implications for our exports in the future. Two of our air carriers have become quite active in our trade fair program in recent years, putting on exhibits abroad in behalf of some of our agricultural products.

In the interests of carrying the products, these air carriers are trying to do all they can to stimulate the sale of them abroad through their own resources. And these products, interestingly enough, are fresh produce--lettuce, strawberries, asparagus--for which they are making arrangements abroad to find buyers so they can continue to carry them. And they have used our trade fair medium toward this end.

It used to be that 11 pounds per cubic foot was a rule of thumb measure for what was a profitable weight to carry in a plane. Thanks to the use of jets, that figure has come up to 18 pounds per cubic foot or more, and the newer jets carry something like 90 thousand pounds.

The argument that the air carrier people make versus the other means of transportation is that they can shortcut the inland trade on this side, and the inland trade on the other side. While the air cargo as such may be more expensive, for certain items, the overall bill may be less. The airlines are in the export business in a big way. They are likely to be in it in a much bigger way as the new jumbo jets become available.

REMARKS OF CLARENCE PALMBY, EXECUTIVE VICE PRESIDENT OF THE UNITED STATES
FEED GRAINS COUNCIL

MR. PALMBY: I am really pleased to talk about a subject that I am sure has many ramifications and has many different meanings to different people.

And that is the matter of what grades and standards are for--to define a trading term. And here many people part company on what the meaning of a grade or a standard is.

There is one school of thought which dictates that a grade or standard, and the words that go to define a grade or standard, should, within minute terms, define the various qualities of a commodity. There is another school of thought--and the one most adhered to in the grain community in this country--that a standard should be a separated terminology against which contracts can be written, settlements made, and premiums and discounts applied.

You know that most of your grain today in this country, both domestically and export-wise, is simply a matter of selling documents, so that a trader can sit in Des Moines, Chicago, New York, or anywhere else, and be on the phone and sell a document to somebody else. He doesn't sell grain at all--he sells a document.

A piece of paper is not more valuable than the trust and faith that the buyer puts in that document, and it is no more valuable than the honesty of the supplier who carries out and delivers what is described in this document. But it has evolved as the only way in which really big business can be done today in the grain market, because it is big business and it is a much cheaper way of doing business. The fact is, I don't know how grain could really be sold today by taking a sample in the hand and saying this is the way it looks.

Now, again, this is very important in the export market, because our country is fortunate enough to be a big supplier. In my opinion we have been out in front in selling grain on an export certificate which describes what this grain was like when it was loaded on the vessel at point of discharge in this country.

Through the years the grain industry and the Government in this country have adopted the system of selling on export certificates, meaning that if the sale is made on an f.o.b. basis, point of loading, the risk from that point on is in the hands of the one who purchased the cargo of grain. Or, if the sale is made cost, insurance and freight, on the other side, the risk is in the hands of the exporter or shipper until it arrives. In each step there is some risk involved, as you know, and so there is a payment for that risk. But, at all times, whenever the sale is consummated, whatever the contract reads, the terms of the contract state that settlement shall be against the grade purchased.

What is important is that the customer know what the grade is, what the factors are that determine the grade, and that you, the supplier, and he, the buyer, understand what the premiums and discounts are over and above or below what those factors are in that grade.

Now, just a word, if I may, as to what the developments are in competing countries and in importing countries regarding grades and standards, and again I must talk about grain. I think our system of grading is fully appreciated the world over. I think it is well enough understood and appreciated that there is a great movement in Europe toward a uniform system of grading. I hope they will adopt a system not unlike our own. And again I must point out

that I don't think we have any great interest one way or another what grades they come up with, as that we understand what they are. This, I think, is the common market attitude at the moment.

I cannot believe for a minute that they would duplicate our grades and standards concerning barley, for instance, but I do believe they will duplicate the system, adopt the system, if I may put it that way, or write a system similar to ours.

It is interesting to note that Argentina cannot at this date get importing countries to buy corn from them on an export certificate finding. They would like to. The reason they cannot is that there is no faith in that certificate, if it were issued. This is no discredit to the Argentinians. It is a discredit to the fact that at this point they have not been able to develop a system of grading and have the world believe that it would be an honest system that would be uniform. So their corn is sold pretty much on an arrival basis, and on most occasions there is a settlement based upon the condition of that corn as it arrives in the ports.

And so there is a negotiated settlement. This is an expensive way to do business. It adds to the cost of doing business. And again it is why the more all countries can sit in a closed room and sell documents and not worry about handling grain, the more sophisticated the system becomes.

DISCUSSION - DR. JOHN W. THOMAS OF IOWA: Wouldn't there be quite an advantage to have containerization of grains--they wouldn't have to be handled so often?

MR. PALMBY: If it is cheaper, yes.

DR. THOMAS: I understand you lose quite a bit of weight. Just in handling by blowers a lot goes off in the air. Even moving to California there is quite a bit of grain loss, because of the numerous times it is handled. It is handled on the farm, at the country elevator, then on the barge, from the barge into another elevator, and into the ship, and into another elevator, and on to the truck, so there are so many handlings. And they also break up the kernels, which sometimes lowers the grade standard.

MR. PALMBY: I think the logical answer to it is, if a system of that nature could be developed that would be cheaper and by this I mean minimize the losses, as a plus, minimize the breakage as a plus, such a system could be devised that would be cheaper, yes, if it cannot, no. And as of the moment it cannot, as I understand it. There has been a good deal of work done on this, as you know, by some very competent people. But as of the moment, it is not competitive. But I will assure you the minute there is, somebody will use it. That is the only answer I can give on it.

MR. LOWELL MOHLER OF MISSOURI: Does grain sorghum offer much export potential. It seems like in some areas of this country it is increasing as cattle feed. Does it offer any potential abroad?

MR. PALMBY: It definitely does, because it is a good feed ingredient. It is a recognized good feed ingredient in this country. And as you know, by

feed manufacturers it is rated all the way from being equal to corn, down to being probably 90 percent equivalent of corn, depending on the class of animals, class of livestock, and several other factors.

The European and the Japanese customer is no different than the feed manufacturer in this country. In fact, they are beginning to use, and are using, the same computers. I have made the comment that, as computers are used more and more in assisting to formulate rations in relation to energy and price, that the machines will come out screaming more and more to increase the sorghum at a price. It is merely a matter of price and price differential.

MR. JOHN E. MAHONEY of Maryland: I heard you mention the standards on which premiums and discounts are made. I just wonder what degree of premium is given.

MR. PALMBY: This is merely a matter of terminology. Let me give you an example, if I may. I had the distinct honor of being Director of the Grain Division for 8 months, back in 1956--in the old CSS agency. If you will go back and read the 1957-price support bulletin as compared to prior bulletins, you will find that in that year we introduced a one-cent premium to a farmer for delivering what is equivalent to number one corn, and this is still in effect.

Now, the reason for that was that the price support document on corn prior to that and at the present time is written on a base, and then allows for discounts. So it is a matter of terminology.

You could put the national average support price, for instance, for corn at a lower figure, and base it on number four, and then pay premiums for number three and two. But, traditionally, the price support programs in this country have followed a price support level, then discounts.

REMARKS OF ROBERT F. ANDERSON, ASSISTANT CODEX COORDINATOR, CONSUMER AND MARKETING SERVICE

MR. ANDERSON: At this point I am pleased to discuss the work of the Codex Alimentarius. The Codex Alimentarius is a joint Food and Agricultural Organization of the United Nations and World Health Organization food program. In English, codex means law book, and alimentarius means food. So, therefore, Codex Alimentarius means a food law book, or food code.

The basic purpose of the Codex Alimentarius Commission is to simplify and harmonize international food standards work by allocating priorities in the development of standards, by coordinating and supplementing the work of other bodies in this field, and by providing for finalization of draft standards at the government level. This means that if we define butter, nonfat dry milk, meat, or any other products, internationally, these products can move between countries accepting Codex standards without fear of being stopped at the border.

The concept of an international body that would assume leadership in simplifying and harmonizing international food standards so as to facilitate trade and at the same time protect the interest of consumers in wholesome foods dates back more than a decade. Dr. Hans Frenzel, a former Minister in the

Austrian Government, advanced the idea of unification of European legislation of food in June 1953 at a meeting of the Research Group of the German Food Industry held at Bad Nuenahr.

Dr. Frenzel's proposal assumed a more concrete form in October 1954 when an Austrian delegation, in the presence of representatives of several countries, held a series of lectures dealing with quality of food, protection of consumers, and promotion of international trade. This idea met with great interest, and encouragement came from many European countries.

Many lectures were delivered by Dr. Frenzel to explain his proposal for the unification of food legislation through the establishment of a Codex Alimentarius. As a result, in June 1958, the European Council of the Codex Alimentarius was established in Vienna following an earlier meeting held in Paris the previous April under the auspices of the Commission Internationale des Industries Agricoles which had been founded in 1934. Dr. Frenzel was elected first President of the Council.

With the growing focus of attention on problems of international trade, the integration of markets into regional groups, and the growing number of food standard programs undertaken by many organizations, including newcomers to the field of standardization, the problem of coordination and harmonization of food standards work again came to the fore in October 1960 in Rome at the first FAO Regional Conference for Europe. The conference issued this statement:

"...a valuable step forward would be achieved if the Director General of FAO, in collaboration with the Director General of WHO and after consultation with the international governmental and non-governmental organizations active in this field, could submit to the Eleventh Session of the Conference proposals for a joint FAO/WHO program on food standards and associated requirements, with particular reference in the first instance to the principal foodstuffs offered for sale on the European market."

Following discussions with the European Council of the Codex Alimentarius, FAO undertook to develop a joint FAO/WHO program on food standards in keeping with the views expressed at the first FAO regional conference for Europe. In February 1961, the European Council of the Codex Alimentarius formally authorized its presidial body to enter into an association with FAO and WHO.

The meeting of government representatives to consider the proposal for establishing a Codex Alimentarius Commission under the joint auspices of FAO and WHO was held in Geneva, October 1-5, 1962. A total of 44 countries and 24 international organizations were represented.

Some 120 participants, including the representatives of 30 countries and observers from 16 international organizations, attended the first session of the Codex Alimentarius Commission that met in Rome in mid-1963.

The third session held in 1965 in Rome, was attended by 130 registrants, including delegates and observers from 37 countries and observers from 20 international organizations. The fourth session was held in Rome, November 7-14, 1966.

An important feature of the rules of procedure of the Commission is a provision for establishing subsidiary bodies, including expert committees, for the preparation of draft standards and setting up advisory groups for a given region or group of countries specifically enumerated by the Commission. Under this provision the Commission established an Advisory Group for Europe with the European Council of the Codex Alimentarius agreeing to serve in this new capacity under the name "Advisory Group for Europe of the Joint FAO/WHO Codex Alimentarius Commission." As such, this body became an organ of the Commission and it was determined that participation would be open to all member governments of FAO and WHO within the geographic area of Europe, including Israel, Turkey, and the U.S.S.R.

Also in keeping with the rules of procedure, the Commission appointed a Coordinator of Europe who, under the terms of reference, is advised and assisted by the Advisory Group for Europe on all matters concerning the preparation of draft standards for submission to the Commission. The function of the coordinator for Europe is to advise and assist the chairman of expert committees based in countries of Europe in their common work on food standards throughout the region. The coordinator for Europe is also ex officio chairman of the advisory group for Europe.

The Commission has also adopted a number of guiding principles for use by its expert committees and other bodies preparing draft standards for its consideration. The general aim is to arrive at standards that are both practical and meaningful from the standpoint of trade as well as consumer interests. So-called "recipe" standards are avoided.

Purpose. The Codex Alimentarius is a collection of internationally adopted food standards presented in a uniform manner. These food standards aim at protecting consumers' health and ensuring fair practices in the food trade. Their publication is intended to guide and promote the elaboration and establishment of definitions and requirements for foods, to assist in their harmonization and, in so doing, to facilitate international trade.

Scope. The Codex Alimentarius is to include standards for all principal foods, whether processed, semi-processed, or raw, for distribution to the consumer. Materials for further processing into foods should be included to the extent necessary to achieve the purposes of the Codex Alimentarius as defined. The Codex Alimentarius is to include provisions in respect of food hygiene, food additives, pesticide residues, contaminants, labeling and presentation, and methods of analysis and sampling.

Nature. Codex Standards contain requirements for food aimed at ensuring for the consumer a sound, wholesome food product free from adulteration, correctly labeled and presented. A Codex Standard should, therefore, for any food or foods: (1) Incorporate by reference the applicable hygiene, labeling, methods of analysis, and other general provisions adopted by the Commission, and (2) specify in whole or in part the following criteria, as appropriate: (a) Product designation, definition and composition. These should describe and define the food (including its scientific name when necessary) and cover compositional requirements which may include quality criteria.

(b) Hygiene requirements. These should include such factors as specific sanitary and other protective measures and safeguards to assure a sound wholesome, and marketable product. (c) Weight and measure requirements. Such as fill of container, weight, measure or count of units based on an appropriate methods of criterium. (d) Labeling requirements. These should include specific requirements for labeling and presentation. (e) Sampling, testing and analytical methods. These should cover specific sampling, testing and analytical procedures.

A Codex Standard may be accepted by a country in its entirety, or accepted with a declaration of additional or more stringent requirements, or accepted as a target which will be put into effect after a stated number of years. Acceptance in its entirety or target acceptance would imply an undertaking by the importing country not to hinder within its territorial jurisdiction the distribution of food which conforms to the standard by any legal provisions relating to the health of the consumer or to other food standard matters.

At the present the U. S. participates in the work of the following Codex committees: The U. S. is chairman of the Food Hygiene Committee. We have representatives to the Codex Committees on Food Additives, Pesticide Residues, Food Labeling, Methods of Analysis and Sampling, Fish and Fishery Products, Milk and Milk Products, and Sugars. We also chair the Processed Fruits and Vegetables Committee. We also have a delegate to the Joint Codex Committees on Quick Frozen Foods, Fruit Juices, and Cocoa and Chocolate Products. We chair the Poultry Meats Committee, and also have a delegate. Finally, we have representatives to the Codex Committees on Meat and Meat Products, and Fats and Oils.

So you see the United States is actively speaking for the manufacturers of food products in this country, and in protecting consumers and our products. Through discussion and debate at the Codex Commission sessions the principle has been established that the food standards work of the Codex Alimentarius Commission should be on an international basis. Only in those instances where no other alternative was available (primarily in the case of highly perishable commodities) should standards be on a regional basis.

The Codex Alimentarius Commission represents a new and vital influence in the realm of international food standards. A general observation of basic importance is that a food standard where appropriately supported and backstopped by practical standards for sampling, analysis, and other requisities, should aim at ensuring the market of a sound, wholesome product, correctly labeled and presented. It should not be intended to affect consumer preference, but should aim at ensuring that the consumer can know what he is buying.

These purposes served by a standard are especially important in providing buyers and sellers with a common language for local and long distance trading and a yardstick for determining value. Otherwise, the use of widely varying standards, particularly among countries, leads to misunderstandings and confusion in international trade, undue restrictions in trade, and added marketing costs.

The leadership of the Codex Alimentarius Commission, in simplifying and harmonizing international food standards, also provides the guidance and coordination which are so greatly needed among all groups. I urge you to contact our representatives if you have problems on products discussed at this workshop. Perhaps they can help you.

Thus the work of the Commission merits full support for the opportunity that it offers in developing equitable food standards, thereby combating the use of standards for purposes of impeding or restricting international trade. and providing essential safeguards for both buyers and sellers as well as consumers. This calls for essential backing and cooperation not only from governments and various independent bodies engaged in international food standards work, but also from private industry, business, trade, agriculture, and the general consuming public.

We believe that Codex Alimentarius is a direct answer to the problem of standards in international trade. We feel it has great merit in solving the problem of barriers and international borders. Now, are there any questions?

DISCUSSION - MR. HOWARD: Mr. Anderson, I would like to ask to what extent are State standards involved in international trade. Are you involved in the making of State standards, and do these get involved in some of these contracts in international trade?

MR. DRIGGS: More in imports, I suspect. It comes in a consumer package.

DR. THOMAS: I was under the impression that the European countries were doing a better job toward standardization than the United States is. Is this true?

MR. ANDERSON: As you noticed when I was going through the history of the Codex, they were the beginners of most of this work toward international standards. But we have good standards, too, and I think they are better. We are working closely with these other countries, sharing our technical knowledge.

MR. BROWN OF NEW YORK: This is more in the nature of a comment. There is quite a good deal of controversy on whether or not we should adopt the metric system in this country. It seems to me if we are going to be pressing for exports, this might be ultimately favorable.

MR. ANDERSON: Most of the methods of analysis in the international standards, use the international system of units or metric system when describing length or mass--meters and grams. You are correct in assuming that the ISU or metric system will be required on labels of products exported by this country to most other nations. Label requirements in this country are defined by FDA in accordance with regular procedures.

REMARKS OF HONORABLE ORVILLE FREEMAN, SECRETARY, UNITED STATES DEPARTMENT OF AGRICULTURE

MR. FREEMAN: Thank you, very much, David Hume. Good afternoon, ladies and gentlemen. I am privileged to be on this program--even if at a very late date.

I was reviewing the program coming back yesterday from California, where I was involved in a little business, and I was very, very impressed. I think this is the most specific, detailed and solid approach to a program of this kind that I have seen. I have been told that there has been a very spirited and earnest cooperation and participation. And so I suppose at this stage there really isn't much that I can add to your deliberations, except to second what David Hume has said about our concern and interest and support and that we are backing in every way possible the public and private efforts being made to expand our agricultural exports.

I am reminded of the judge who had a penchant for writing short opinions. This Justice had a man up before him who was very disturbed and overwrought, and he blurted out, "As God is my judge, I don't owe this tax." And the judge ruled very quickly from the bench. He said, "He isn't, I am, and you do."

In this case I think I can be brief, but it might be useful to underline a few of the things that you have deliberated on.

I mentioned that I was in California yesterday. I talked to quite a number of California people about agricultural exports including the Director of Agriculture of California. He told me to come here and tell Illinois and Texas that California was not satisfied to be number three among the States in agricultural exports. So a challenge has been issued, and I suspect that if Illinois wants to stay out in front, and if Texas continues to be as aggressive as Texans have always been, we may have some fireworks. A little competition between States in this regard might be a useful and healthy thing.

I am sure you know how the States rank, but let me just mention that Illinois is first, with \$666 million worth of exports, followed by Texas with \$495 million; California, \$495 million; Iowa, \$426 million; Kansas \$392 million; Indiana, \$317 million; North Carolina, \$306 million; Minnesota, \$240 million; Nebraska, \$232 million; Ohio, \$219 million.

Those are the names, signals, and numbers. Now perhaps someone can blow the whistle, and we can start the ballgame here, and see if perhaps those numbers might get rearranged.

The development and expansion of our agricultural exports is a very exciting and gratifying thing. When I first became Secretary of Agriculture, we reviewed what could be done with respect to increasing our agricultural exports and we tried to set some targets.

One of the targets proposed was that we might, by 1968, reach a \$6 billion level of agricultural exports. Well, as you all know, we passed that level quite some time ago, and we reached \$6.7 billion last fiscal year. We were up

another 6 percent in the first quarter of this fiscal year. And we feel reasonably confident that we will make \$7 billion, or even more in the 1966-67 fiscal year. We have a lot of momentum. What we have to do is keep that momentum, and get it up even higher.

Agriculture today generally is bullish. The price prospects are good. Gross farm income, according to our best estimates, will be the highest this year of any year in the history of the United States. Net farm income, overall, will be the second highest--while net income per farm will be easily the highest ever and nearly \$2,000 more than it was in 1960.

There have been many factors behind this improvement, but one of the very important ones has been agricultural exports. And, the optimistic forecast of continued expansion in exports, providing we do a good job, is a very big factor in what, to me, is a generally bright forecast for American agriculture.

I think that if we can continue to expand our markets in a world of growing population, and improved economic status, we can look forward to steady agricultural improvement. There is not any doubt as to what we can produce in American agriculture. This has been, in a sense, the least of our worries. And, of course, our productivity is a very great accomplishment, indeed.

In fact, we should spend more time learning to live with this abundance, learning how to use it effectively, learning how to export it to others around the world. But the progress we have made didn't come by accident. A lot of work was done and is being done, by many, many people, and your being here today indicates good things for the future.

Not only are these exports important to agriculture as a very vital and important outlet--but they are important also to our national economic position.

I am one who, generally speaking, believes that we can pretty well solve our own domestic economic problems by imaginative and creative use of money and credit, by sensible fiscal policy. We can establish a full employment economy in this country and keep it, and there is no need to subject ourselves to the boom and bust of a business cycle that brings hardship and waste to everybody.

But one thing we cannot control domestically is our balance of payments position. This is one problem that we just can't meet all by ourselves. On this one, we have got to have active involvement with the world around us. We now have, and have had, grave balance of payments problems, as most countries in the world do.

I don't like to think about how grave these problems would be, or what a mess our own economy would be in if it were not for the improvement in agricultural exports. As I remember the numbers, only 10 years ago we were a deficit country in terms of agricultural trade. We had a net outflow of about \$500 million. In other words, we brought in \$500 million more agricultural imports than we exported. I believe this year we will be on the positive side of the ledger in agriculture to the tune of about \$2.2 billion. And that is really an extraordinary accomplishment. It represents a tremendous contribution

to the overall economic national wellbeing. And it is something that we want to continue.

Some of your home States receive a quarter or more of their agricultural income from agricultural exports. In the nation as a whole, as you know, the proportion is one-sixth. So we are talking about something that is of tremendous importance. We need to take advantage of all the knowhow each one has and share it and apply the best technique we can, not only in promotion, but also to the products we produce, so that their standards, their grading, their packaging will all add up to high quality.

Someone said to me the other day that it wasn't too long ago that we looked after the domestic market, and then whatever was left over, we tried to move into international trade. Today in many areas we give the foreign market almost the first crack at our best quality products, appropriately tailored.

We want to have a high standard in both domestic and foreign markets. But we must do the kind of a job that will make our products competitive in foreign markets and which will serve to expand our markets.

Many of you have shown a great deal of initiative in innovating. I hope there will be a great deal more of this. I'm thinking of the shipment of veal calves to Italy by air, which I think was pioneered by Virginia. And I am thinking of some of the new breakthroughs of American beef going to the exclusive restaurant trade in Germany, and Sweden, and other places.

I was at the show in Germany, with that prize \$17 thousand steer "Charger" a year ago, and I had a devil of a time explaining to the people in Germany how you possibly pay that much for an animal in that condition. But they came around and looked and wondered and marveled, and Charger got a lot of attention. Now I think we are going to move American fed beef into some of those overseas channels.

In Western Europe the standard of living is going up rapidly, as it is here in the United States. More luxury items are going to be in demand. And there is going to be more demand for more diversified agricultural commodities in general. And here is where we can move into the picture.

So our prospects are bright. As I say, we want to share experiences, and share information, and make this an increasingly, ever more effective program.

In conclusion, might I make a request to each of you. When you return to your own home area, and you have a chance to review your notes, your reflections and observations concerning this conference, and a chance to relate it to what is going on in your State--if you have time, I would appreciate it if you would drop me a letter. Tell me what are you doing in your State about agricultural exports. What do you think the potential is? What kind of improvements do you have in mind to better your record? How successful do you think some of our current programs are, whether in promotion, or in improving quality and movement and that kind of thing? What can the USDA do better to work with you? What other suggestions do you have?

If we could bring this information together, based on your knowhow, we could collate it, and have in one place the best practical thinking available. We could then redistribute this thinking back around the country, so everyone would have the advantage of it.

I am delighted that you have permitted me to come and say a few words. It is an exciting fact that agricultural exports are growing faster than we thought they could. It is an exciting fact that we can predict with some assurance that exports have a real chance of getting even better. It is gratifying to know that busy and important leadership people such as you would come from so many States. It is gratifying to know that you have come here not to make general statements, but to participate in panels which get down to the very practical and direct questions of how do you go about building markets abroad.

I want to thank all of you for coming. I hope such a conference as this can be repeated, and that there will be a spirited competition between the States, and by the time we meet again, we will have broken through the \$7 billion barrier, and be well on our way toward the \$8 billion target.

Thank you, very much, and good luck.

REMARKS OF MR. KENNETH W. OLSON, DIRECTOR, FOREIGN MARKET INFORMATION DIVISION,
FOREIGN AGRICULTURAL SERVICE

MR. OLSON: These are times when we are practically bathed in information. I imagine every week we are exposed to more information than our grandparents were in a year. As a result of this, sometimes I think we know a lot about--not a little about--a lot of things.

In the marketing type of work in which we are all interested, I think we find we have to bore in and sometimes learn a lot about a little. The publications that we put out are, of course, part of the way that you get information--but only a small part. We have such things as the "Foreign Agriculture" magazine that comes out weekly, that reviews what is going on in the world of agricultural markets.

The Commerce Department as you know, puts out the "International Commerce Weekly" and a lot of you subscribe to it, and it gives a broad range of information.

We have a number of circulars that come out on specific commodities. But in essence, this is a self-help, do-it-yourself type of project. There is no way of trying to outline what is the best type of information or the best way to get this information. Each man has to figure out this thing for himself.

In the information given you, there is a directory of publications available on foreign trade and markets. This was compiled by Dana Dalrymple of the Extension Service. I think it is very useful. It lists a number of sources of good information. But, over and above that, there are many sources which you cannot put into a list. There are the agricultural attaches, for example. They are stationed around the world in the leading capitals.

And there are formal or informal ways to pick up the type of information that you need to have for your State, for your product, and for your constituents. I think that the questions you ask are going to be the important part of the session. We are not going to have answers for all of them, by any means. We are very interested, however, in finding out what those questions are.

REMARKS OF C. T. BARNS, MARKET DEVELOPMENT EXPORT DIRECTOR, VIRGINIA DEPARTMENT OF AGRICULTURE

MR. BARNS: Ladies and gentlemen, I am going to try and go into some of the practical side of the problems that we have had in trying to export products from Virginia.

A little over two years ago, we exported the first shipment of beef cattle that went out of the United States in volume in probably half a century. The fellow that did the exporting was in Appalachia, the undeveloped area of our State. He may or may not have been outside of his home county, so the problem was to help him get this job done. And it was quite a problem.

I would just like to go down step by step with the standard operating procedure now. Of course, the first problem is agricultural export leads. You have to get them from somewhere. Then after you get the lead, you have to develop some basic export bid information.

Then this basic bid information has to be sent to somebody in our State who we consider an exporter to get the job done. Then it comes back to us--the action taken by the exporter on this lead and what happened to it. Then in 99 percent of the cases, we are going to end up giving technical assistance to the exporter, especially if he is new to the field. Our last step includes evaluation and followup of this particular project.

Well, let's take each individual step in detail: The export trade leads--where do they come from? I think John Ligon in his discussion the other day mentioned that we had a representative in Europe, in the Brussels office of our ports authority. He picks up many leads in Europe and refers them on to us from there. We also get leads from FAS commodity divisions.

We have been in some trade fairs and trade shows, and had some trade missions overseas, and as a result, from individual letters and contacts with agricultural attaches, we picked up a few leads there, or at least checked back on some of them. We have also received leads from 15 to 18 countries now on the export of cattle, simply because we have exported a number of cattle to Italy. And these have been from countries all over the world. Still another source is trade fairs. We have participated in four or five trade fairs.

Other leads have come through friends and contacts we have made in these countries following trade shows. The people we are shipping cattle to in Italy gave us a very good lead on a man that could import some small calves. Also, they gave us some other leads on poultry. And by expanding on this relationship and friendship with people, you pick up a lot more leads, too. The national associations pick up a lot of trade leads and pass them on, and eventually they work down to a State level, to your State organization.

Another lead is the AID Program for specific information on individual countries. Other leads have come from individual transportation agencies, airlines, and steamship companies. They are very valuable, and, of course, they want the transportation business, and they will help you pass on leads. Now, when you get a lead, you have to develop some basic export bid information.

When a lead comes to us this is what we try to do: We get the name and address of the man that wishes to import something. We get detailed information on the product the importer wants--grade, volume, etc. Then the next thing we put on the sheet is health and sanitation requirements for the importing country.

Now, this is a point that USDA can really help us on. Regulations change quite often. It is best to kill the trade lead right at this point if it is impossible to get the product in the country. The next thing is try to find out the levies and duties in the importing countries, and how much they are.

We have a transportation specialist in our department. He develops transportation costs. He also knows the cost of loading and product handling. The last thing is credit information and recommendations. Of course, we always recommend that they work on a confirmed, irrevocable letter of credit. This bid information is mailed out to our exporter. We mail out a covering letter with it, and we include a return postcard of intentions.

A lot of times the exporters will return a copy of the bid that they have made. I am not particularly interested to know prices or individual bids from a number of people. It puts us a little bit in the hot-seat sometimes. But nevertheless, we get them back. We also operate by teletype.

Now, we try to market our products on a graded basis. Of course, in the area of dairy heifers, there are no Federal grades, so we have developed Virginia standards. We issue certificates from a State level, some of them based on Federal certificates that are connected with grading. But the one I am particularly thinking about is the certificate based on production on dairy heifers. We collect this information, certify it, and it goes out on the Virginia certificate, with the State Seal on it. And the Governor has appointed one man in our department to sign the certificate and vouch for how accurate it is.

Transportation is one of the big areas that people need help in and you have to be careful in your advice to the marketing people. Then we have to work between the exporter and our local State agency and in a lot of cases between the Federal agencies, especially in the area of health and health requirements.

As for evaluation and followup on the export project, our agricultural attaches have helped us quite a bit. Of course, our European representative tries to be there when our shipments reach Europe to check with the people, find the problem, and find if the product has gotten over in good shape. I think a State agency can be of much assistance to our local exporters.

I have some suggestions, and they are merely suggestions that I would like for you to consider: First, would it be possible for FAS to receive trade leads? Second, would it be possible, working through FAS, to develop some short courses within USDA for State export personnel? Another thing that would help us would be to publish more "how to export" brochures.

Another suggestion is this. It would help if FAS could appoint an export coordinator within USDA. Then when we need information the coordinator could direct us over to those who could answer the question. I think it would help if we had one specific person that knows USDA well, and we could work through him.

This is only a suggestion. Another suggestion would be that a committee be appointed to guide us and work with FAS.

DISCUSSION - MR. OLSON: We have here some experts on the panel. John Stiles of Florida. George Goldsborough, Horace Davis, Assistant Administrator of FAS in charge of agricultural attaches, and Don Rubel, Assistant Administrator, FAS, on the commodity side.

Don, would you want to comment on one of the ideas that has been thrown out here--particularly this idea of publishing more "how to export" brochures.

MR. RUBEL: Your very first suggestion is one that struck a responsive chord to me. I know that each of the commodity divisions from time to time **gets trade leads**. You cannot very well send them to individuals. You have got to send them to an association or organization. I am sure that the divisions send these leads to people whom they think will pass them on and do something about them.

There is a lot of competition about information. As far as sources request information, I think the divisions try to respond to the requests they have. You have to realize that the divisions cannot do all that everyone wants them to do, but they do like to respond to what they think people want and need. So very often they might tailor circulars.

MR. OLSON: I mentioned earlier that the question has been raised about the assistance given by agricultural attaches. Horace Davis is going to tell you about their services.

REMARKS OF HORACE DAVIS, ASSISTANT ADMINISTRATOR IN CHARGE OF AGRICULTURAL ATTACHES, FOREIGN AGRICULTURAL SERVICE

MR. DAVIS: I will make a very brief comment on the work of the attache, and then be glad to try to deal with any questions you may wish to ask. We have sixty overseas posts at the present time. Of course, they are part of our embassies in foreign countries. These 60 posts are trying to cover about 100 countries.

One of the important functions of the agricultural attache is his reports to Washington on the basic commodities. That is one of the very big functions of the attache, that of reporting, which includes points for marketing opportunities, and also points of competition.

One other important area of the activity of agricultural attaches is in the field of market promotion, and market development. I think that has been covered in earlier talks. The attache works with the cooperators overseas in trying to open new markets or develop bigger and better markets for U.S. agricultural exports.

He is a public servant. He is overseas to work for and represent U. S. agriculture. If there are any questions, I will try to answer them.

MR. STILES: I have one question I would like to ask here about attaches. In several places you have marketing specialists, too, do you not? What countries are they in? Do they work under the attaches?

MR. DAVIS: Yes. All of the offices, of course, deal to some degree with marketing. We do have in some of the European countries boys that we would class as good marketing specialists and we are trying to add more marketing specialists to our offices in Europe. In any case, the agricultural attaches are the top men.

MR. OLSON: George Goldsborough goes back here to some of the questions C. T. Barns made. This is projecting some of the ideas into the future. George, are we headed here toward some closer work together, which is going to be of an information exchange nature in the future, in Federal-State relations? Do you see this evolving from the meeting we have here today? Is that part of the evolving picture at this time?

MR. GOLDSBOROUGH: Well, I think this is a good place to start. By exchanging information, the Federal program and the State program and their leaders can tell each other what their needs are, and possibly develop a working relationship. I think the suggestions that C. T. Barns has made relative to the appointment of people at the State level who would develop a capability in the export field, and possibly a coordinator in FAS to help in the exchange of information is quite good.

We could include some export marketing discussion at the National Marketing Service Workshop each year as the participants indicated it needs. And if the Commissioners decide that they would like to have a formalized committee working relationship, we could work with this group, too.

MR. DELMAR: Some of the people might be wondering how they can make contact with the attaches in the individual countries. Should they write to FAS, and in turn have the inquiries forwarded? Can they write directly to the attaches? What is the best way of handling a specific inquiry of this sort?

MR. DAVIS: I think the best procedure would be to write directly to the agricultural attache. Certainly that would be the quickest procedure.

MR. DON OLSON of Washington: I just wonder if it would be possible to get some information back from Europe faster when it has a terrific effect on local marketings of our commodity. We supply about 65 percent of this country's exports of hops. We are materially effected by what happens in Germany.

Now, this last year they had some crop conditions there that were not made known to us until about 6 weeks after it occurred. But I am pretty sure in my own mind that the three or four handlers that do the exporting in this country had that information within a matter of days. That type of information would give us a little better break in dealing with producers who are interested in this.

MR. RUBEL: You mention the type of information that is very sensitive in the commodity area. We try to make sure that such changes are reported. We don't always succeed. We do try to supplement attache reports with various types of information services. Reuters happens to be one. I don't know whether it hits this field. When we hear a rumor, then very often we send a cable trying to confirm it. But, it is just a matter of trying to keep on top of these things all the time. I am very sensitive to the type of thing you mention.

MR. OLSON: Don Rubel, I wish you would tell a little about the type of commodity information services given by the respective commodity division. I don't imagine that has been gone into by the workshop. But it is a very specialized service which, if you have not used it to date, will undoubtedly be of some help to you at some time on specific commodities.

MR. RUBEL: Well, not all of the divisions do the same thing. As I mentioned earlier, they try to service the people who have shown interest in the type of information they have.

Some of the divisions seem to devote a major share of putting out their information in foreign agriculture. Some split that with circulars. Some have special newsletters that they find they can get to trade associations more quickly by simply duplicating a weekly newsletter, or information of that type.

So I would suggest that, depending on the commodity or group of commodities you are interested in--you try to get in touch with the commodity divisions to see what they have and indicate your interest in the type of information. And I think the information problem is not quite the same for each of the commodity groups.

MR. OLSON: I think it was said earlier this is a do-it-yourself project. It certainly is true of our commodity divisions. If you want service from them, you have to initiate it, and be very specific as to the type of information you require.

Now, there is a lot of information that comes back from the agricultural attaches. There are 7,300 reports a year. Now, the best of this, the most applicable, is skimmed over and is put in published form. In the month of September, the Foreign Agricultural Service published ten circulars on foreign commodity situations--that was a fairly light month.

There were 56 commodity items that appeared in our weekly periodical, "Foreign Agriculture," and there were 11 summaries that appeared in a monthly publication we have, "World Agricultural Summaries." These 11 summaries were fairly exhaustive. So there was a total of 77 separate and distinct commodity reports that came out during the month of September.

The Economic Research Service puts out background and analytical material, not on a commodity basis, but on an area basis. If you are interested in a particular country, as well as a commodity that you want to sell in that country, the Economic Research Service is an excellent source of background situation, and policy information.

MR. GEORGE B. ROCHE OF MARYLAND: Suppose a potential exporter called our office who was not financially set up to handle this type of thing. Do you have associations that help finance a project--either trade associations or State? What areas could be tested or tried from your experience?

MR. BARNS: Ours came about in two ways. In the early stage of the game, we worked through matching funds. As projects came in--dairy, vegetable, or whatever they might be--the individual marketing agent tried to work on it at that time. But, it got so big that we could not keep up with it. So then the Legislature put up some money, and we are a conservative State--if you get money, it has to be well worth it. They put up enough money for two people and a secretary to work in Russell's office. And I think you have to start in slow, and progress. And if you get the interest of the farm people and farm groups behind you, I think you will get the money.

MR. GERALD E. FORBES OF MINNESOTA: I would like to add to several comments that I think were made both now and earlier during our sessions.

I think the offer by the steamship gentlemen this morning to come out and put on a workshop for small groups was an excellent offer. I would like to suggest that FAS consider its participating in such a workshop, if a request is made, or putting on one of their own. And I would like to suggest that FAS work with two ideas--working with the steamship people in putting on a program for exporters, and helping us train our personnel by coming out and visiting for a day.

It doesn't also necessarily have to be done only on a State basis, but could be on a regional basis if it is not too big a region. And I mention this because we are not interested in exporting cotton, rice, or tobacco, and some other States may not be too much interested in exporting nonfat dry milk. So I offer this as a suggestion, and not as a question.

MR. LEON MURPHY OF NEBRASKA: Mine is not a question, but an observation. I certainly do not present myself as an export man, but I have had some slight associations with the export business. It seems to me that we search most for how to get the business and how to handle it from the foreign country.

My experience and my observations have been that if you are going to do a continuing export business, you almost have got to have an export agent in the countries to which you are going to make shipments. For instance, in the experiences we had, wherever we made export shipments, we had a foreign agent there, and he was more than just a food broker. That is to say, he solicited the business, he secured the customers, and he arranged the banking facilities there.

When we made shipments to those particular countries, it was his responsibility to make sure that the merchandise came in all right. He personally saw to that, or through some of his associates. If there was damage in transit, he got hold of the freight bills. And services of that kind.

In other words, he was the company at that particular point. And I think that as we progress to stimulate this business, we will have to have foreign agents, and people upon whom we can rely and depend for much of the information that we are talking about here.

As I say, I do not set myself up as an export man, but I do know from such experience as I have had that it works more smoothly and more completely if you have the agent in a given country, and you rely upon him to carry out all the work there for you.

SUMMARY - TUESDAY

REMARKS OF ROBERT THAYER, MARKETING DIRECTOR, WISCONSIN DEPARTMENT OF AGRICULTURE

MR. THAYER: The attendance does not indicate the enthusiasm that has been generated by State Departments of Agriculture over this export program. The first day the questions why are we here, and what role does a State have in foreign trade were brought out. If these questions have been answered then I think we have the necessary ingredients to put the facts, the knowledge, and the expertise into a project to make more dollar sales in foreign marketing for our States and the United States of America.

There were a few statistics brought out the first day that we should remember. One, that \$6.7 billion was reached in 1966. Two, feed grains, soybeans, and wheat are the high commodities, but others are just as important to individual States and therefore, the total dollar exports.

Three, Japan was the major market, and Western Europe was the second largest area. Four, in statistics, there is a turn-around: No longer do we speak of surpluses as a way of marketing, but as a fact that the United States is releasing land from idleness into production for the future. One American acrea in every four will go into export sales.

I am sorry that Dr. Beukenkamp is not with us today. His keynote address on what is different about international trade has set the stage for this conference. His first comment was that people are people anywhere. Locate your customer, find out his wants and how to reach them, and then follow through.

The second point was that the product must have quality, it must have supply, and you must be able to meet the competition of your competitor. The third point was that team work is essential. Your business associations and the Government, either State or Federal agencies, can help create an effective marketing program. And then Dr. Beukenkamp's last point was salesmanship drive. If you don't have knowledge of the product, of the customer, and of the market, gentlemen, you better stay home and try to sell your product next door.

Mr. Willett covered how we can find our market, and you have the charts in your briefcases. Kenneth Hinks highlighted how to test the chosen market. This scholarly presentation was based on a world of knowledge and the fact that experience is the best teacher. He pointed out that you must do your homework. You must have your facts first--certainly population, purchasing power of the country, the wants of that country, and how you can manipulate or turn these wants to benefit your particular market.

Then you have to test the market for your product, first at home, through American experiences which are valuable, and, secondly, consult Americans in the foreign market. Third--test by research where your competition is. Find out what the foreign regulations are. These problems or questions are the important factors. Fourth--run a pilot test in a particular selected market. Lastly, test the actual market. Be ahead of the game, plan all stages, and weigh all results.

With this in mind, a program will be successful if it is soundly conceived, if it is professionally executed with business-like agreements and has adequate promotion to carry the program out.

In the afternoon, we also had a very scholarly presentation by Ray Ioanes on how the Federal Government can assist the exporter. He stressed the importance of action programs--trade fairs, trade centers, how the Government can only be a catalytic agent for the industry to accomplish these sales. The development of the trade associations and the direct promotional programs were presented by the staff.

The impression that was left on me by FAS in its program is sound, that is, it had results. In the second place, it put people back home in the driver's seat in export marketing. It is exemplified by the panel groups that we had throughout the three-day session. Let me summarize the first day's activities. First, get the facts. Second, have a quality product to market. Third, use professional expertise in promotion techniques. And then, lastly, communicate with the people at home and make every follow through with your new foreign customer.

SUMMARY - WEDNESDAY

REMARKS OF HAROLD B. GIRTH, MARKETING COORDINATOR, NEW JERSEY DEPARTMENT OF AGRICULTURE

MR. GIRTH: The general subject for Tuesday was how the Federal Government can assist the exporter. In the morning Roy Morgan the Director of Field Services, U. S. Department of Commerce, described how the Department of Commerce can help, and reported that there are 42 such offices, each with its international trade division. The staff knows how to expedite the overseas shipment of commodities, and can provide advice on financing, documentation, licensing requirements, and tariff barriers.

The group also conducts seminars to acquaint persons with the opportunities for the export trade.

A panel discussion on what States are doing and what their problems are included the following: John Stiles, Marketing Director from Florida, described their work in the exporting of cattle, their participation in international trade fairs, the involvement of Latin American officials in their beef cattle short course, and a conference for Latin American ministers of agriculture. A Florida International Trade Council has also been formed.

Don Olson, Marketing Director, State of Washington, described his State's activities in developing overseas markets for wheat, dried peas, and lentils. These included participation in trade fairs, with very favorable results in Japan.

Efforts were also extended in behalf of processed potatoes and berries. It is proposed that an export council be formed with a full time man operating in the interests of the smaller exporting organizations in Washington, Oregon, and Idaho.

John Ligon, Export Trade Specialist for Virginia, outlined that State's experiences in the exporting of cattle to Italy. Other products are shipped to Canada, and efforts are being made to expand South American markets. A transportation specialist has been of great value in finding ways to decrease costs and thus encouraging foreign trade.

A second panel outlined the experiences and benefits derived from participation in the Munich Fair. After Paul Findlen described the organization of the fair, representatives of three participating States reported as follows:

Russel Schwandt, Commissioner of the Minnesota Department of Agriculture, states that considerable success was achieved in introducing Minnesota turkey products and processed cheese, but stressed the importance of having commercial men present to follow up the leads developed. He also suggested that FAS men precede the exhibitors at future fairs to compile lists of potential customers so that the men staffing the exhibits will have a better idea of the relative importance of the various businesses.

Robert M. Schneider, Director, Illinois Department of Agriculture, indicated that results are difficult to evaluate. Apparently, the show resulted in orders which will use the State's entire horseradish supply, as well as some of the popcorn and cheese which are produced there.

H. G. Hawes, Chief of Foreign Trade Development from Maine, reported exhibiting live lobsters, consumer packs of chicken parts, and frozen turnips to advantage. He expressed regret that no commercial concern from Maine was represented so that some of the value of the contacts was lost. He also mentioned the training ship that the State of Maine has which visits foreign ports carrying a display of Maine products.

R. L. Beukenkamp made available copies of documents frequently used in international transactions.

In the afternoon, two sets of sessions were held devoted to export trade in various commodities. At the livestock and meat session, Mr. Johnson outlined the activities of his division, the principal exports being tallow, hides and skins, animal fats and proteins. Under a global livestock project, high quality breeding stock is in demand for both the beef industry and the dairy industry. Shipment of meat overseas is limited by our price, by the imposition of quotas, and other barriers, and by preference for meats with characteristics different from our customary cuts. Some demand exists for quality cuts for the hotel and restaurant trade, and for specialty meats.

The grain division was concerned with the exporting of rice, vegetable seeds--peas, beans, lentils, wheat and feed grains. In each commodity the trade council or association conducts the promotion in behalf of the commodity. However, rice, because of its quality, demands a premium.

Most of the field and vegetable seeds are shipped to Europe. Peas, beans and lentils exported have a combined value exceeding \$2 million. More than 30 percent of the feed grains produced are exported for foreign poultry and livestock feeds.

In the poultry and dairy meeting, Mr. Strobel reported the principal item is frozen poultry meat. Two hundred million pounds a year to 80 countries. Western Germany is still a principal market for turkey, turkey parts and poultry parts. A significant market is developing in Japan and Hong Kong. Competition is increasing from local industries in some areas.

The dairy situation is confused. Overseas donation programs have been reduced, inventories of butter, cheese and nonfat dried milk are down. Overseas offices are being maintained in Beirut and Santiago. Production is increasing in developed countries.

In the soybean and peanut meeting it was reported that the 1965-66 exports were equivalent to 350 million bushels of soybeans, 42 percent of the 1965 crop. A value of \$1.1 billion--over 90 percent of these sales were commercial sales for dollars.

About 12 percent of the peanut crop in 1966 was exported. Exports primarily of shelled grain peanuts have increased steadily in recent years.

SUMMARY - THURSDAY

REMARKS OF LOWELL MOHLER, MARKETING DIRECTOR, MISSOURI DEPARTMENT OF AGRICULTURE

MR. MOHLER: The third day's session was mainly devoted to the help we in the States can expect from commercial export organizations, the role grades and standards play in our export marketing program, and several other informative presentations.

To start us off the morning we had an experienced panel tell us about three things: (1) The professional export management companies and how they can help us in exporting products; (2) the important part the steamship lines play in moving agricultural commodities across the pond and expanding international trade; and (3) the export banks and the necessary financial arrangements, which are important to both the exporter and importer.

Mr. Sinclair, Secretary of the Export Management Association, pointed out that if someone in your State is interested in getting into the export business, one of the first people to contact would be a professional export manager, someone that knows what he is doing. There are other means of getting commodities to foreign ports, such as setting up your own export sales force, working directly with foreign buyers, or letting a foreign trade organization handle the arrangements for you. But you would be wise to work with a U. S. export

firm from the forwarding company on through to point of destination. We learned that some 70 major exporters in the U. S. are utilizing the services of professional export management companies, and that they have a number of services to offer the agricultural exporter.

We then had an interesting discussion from the executive secretary of the Committee of American Steamship Lines. Mr. Gano explained the role of the American flagships, numbering some 400 ships, cargo ships, ocean lines, as well as some 30 combination cargo and passenger lines which are available to American agriculture. Some of the things that were pointed out included how the CASL can help us in the areas of pinpointing new markets, providing traffic advice and freight forwarding assistance, and advising on duties, tariffs, license controls and the various port facilities available.

The final panelist was Mr. Carter Dove, of Riggs National Bank here in Washington, D. C., who explained the important services provided by U. S. bankers in the foreign export field. Some of the points he discussed included the handling of irrevocable letters of credit in international trade, documentary drafts, and the importance of arranging for export banking services from a full-time bank before negotiating with a foreign buyer. In some areas of the country, such as in Missouri where export service departments are not available, our local banks can work with banks such as Riggs and others that are professionals and active in the field of export marketing.

We then heard a short discussion on the role the airlines are playing in the movement of export goods. Airplanes now can carry some 90 thousand pounds of cargo--primarily perishables at the present time, to many distant points. With the new jumbo jets on the drawing boards, a great deal more can be expected from the airlines. I am sure this field of transportation is going to emerge as an important key to export trade in the years to come.

Jim Howard, who has done an excellent job all week of summarizing our various sessions then discussed more thoroughly how the various associations, steamships and others could directly help us in the States and also answered a number of questions that we had.

Our next topic, grades and standards was ably handled by Mr. Palmby, Executive Secretary of the U. S. Feed Grain Council. Some of the important points he brought out were the fact that grades and standards, particularly on our food and feed grains, were very important in international trade, and that most contracts are written and settlements negotiated on the basis of some type of grade or standard. He also discussed some of the problems that now exist in the movement of grain into foreign countries, particularly corn and other feed grains and why more efforts are needed to improve some of our existing grain standards.

Mr. Palmby also did a good job of explaining the reason that grain is blended and mixed several times from the time it leaves the country elevator to the final destination at a foreign port. I have always thought that we in the corn belt were somewhat "subsidizing" other parts of the country by providing some of the excellent number one corn and other grains for the grain trade to mix with lower grade product and eventually ending up in foreign ports as a very

undesirable product. I always thought we should receive a premium for our high quality grain. But Mr. Palmby did a good job of explaining why we do it and the fact that our foreign buyers all want a little different type of blend or mix.

Our final session this morning was on the new Codex Alimentarius Commission, and was discussed by Mr. Anderson, filling in for Mr. George Grange. The Commission is composed of some 40 countries, including the United States, with the primary purpose to establish grades and standards that countries around the world can use for trading purposes. Among the things this Commission will eventually do is provide additional safeguards for buyers and sellers everywhere; provide a common language for trading, and a yardstick for determining value. Certainly this will help in our foreign market work, and is an important commission in which the United States is taking an active part. Just a short while ago, Secretary of Agriculture Freeman paid us a visit and brought us some very timely remarks. He emphasized the importance of exports today and the success of the workshop program.

Secretary Freeman pointed out the key roles some of our States are making in exports--particularly Illinois who leads the U. S. with \$660 million in exports annually. He encouraged us to keep the momentum going on exports. He said that farm price levels are now good, gross farm income high, and much of this can be attributed to our increased agricultural exports.

He complimented Virginia on their leadership in the role of farm exports, primarily live cattle, and summarized by requesting that each of the States represented at the workshop send him a letter after returning home outlining several things--what exports we now have in our States; improvements we have in mind; evaluation of present programs; and how the USDA can better help the States.

In our final session we had a thorough discussion of the States' information needs. A final question and answer session was held which allowed other States a chance to participate in the discussion.

COMMODITY SESSION - SOYBEANS AND PEANUTS

The fats and oils session was initiated by FAS marketing specialists to review the importance of foreign markets for U. S. soybeans and soybean products and peanuts. It was reported that exports for soybeans are expected to increase greatly in the future as consumer demand for livestock products, and thus soybean meal for animal feed, will continue to expand rapidly. The importance of tailoring U. S. oilseed products and marketing techniques to meet foreign requirements was emphasized. About 20 State government representatives from 12 States attended the session which lasted for an hour and twenty minutes.

U. S. cooperator representatives of the American Soybean Association and the Soybean Council of America reviewed the various problems encountered in market development programs in marketing soybeans, soybean oil, and soybean meal in foreign countries. The National Peanut Council activities were also reviewed. The State representatives were told that the U. S. soybean industry can meet almost any specification for a soybean product, at a price.

The U. S. cooperator representatives reviewed the marketing activities employed in introducing, developing, and increasing a foreign market for soybeans and soybean products. A specific example was discussed, in which Spain was converted from a strictly olive oil market to U. S. soybean oil under P.L. 480 programs, then to a soybean oil commercial market, and up to its present status as a commercial market for U. S. soybeans, soybean meal and soybean oil.

A question and answer period followed. Subjects of interest to the State representatives were future U. S. farm policy to encourage greater soybean production to meet foreign demand, potential foreign markets for specialty soya food products, and the selling of soybeans on an oil and meal content basis.

FAS and U. S. cooperator representatives gave the State representatives who were in attendance a clear picture of the soybean and soybean products and peanut market development programs that are being conducted overseas. They were also made aware of the specific U. S. associations and commodity groups of USDA who are actively engaged in these market development programs.

COMMODITY SESSION - COTTON

Interests in the qualities of cotton needed in foreign markets, the qualities and quantities that might be supplied to foreign markets from North Carolina and other areas of the Southeast, and the support price differentials between the Southeast and other areas of the Cotton Belt were discussed.

It was observed that exports might be enhanced if sufficient quantities of cotton of the same variety grown under similar conditions could be offered in volume. Also, cotton of higher qualities and longer staples seem to offer possibilities, including even running lots that meet the fiber instrument tests included in present day merchandising.

Discussion was held on the current situation and outlook for cotton abroad, including competition with manmade fibers and other growths. A description was given of the cotton market development program as it has been conducted abroad. Future plans under the new International Institute for Cotton were also discussed.

COMMODITY SESSION - FRUITS AND VEGETABLES

J. W. Stewart, Director of the FAS Fruit and Vegetable Division pointed out that cooperation extends well beyond promotion alone; promotion is probably at the bottom of the list. In illustrating his point, an informal checklist to answer the question "What are the prospects for success of a foreign promotion for a commodity" was suggested.

Federal activity may be carried out with international or national organizations which may include other Federal agencies, industry, State or area groups, or individuals.

The FAS Fruit and Vegetable Division is responsible for 329 specific commodities, 82 of which are significant in international trade. However, only 15 account for 84 percent of the value of all exports.

FAS has ten active fruit export promotion projects: Two with national organizations, five with State and three with area organizations. Since starting activities 10 years ago, FAS has cooperated with 17 different organizations, committing about \$14 million; 50.6 percent of which came from FAS and 49.4 percent from cooperating organizations. The annual budget is about \$3 million split 50-50 between FAS and cooperators. Annual value of exports increased 31 percent during this period from \$314.2 million in 1957 to \$412.6 million in 1965.

To emphasize that access precedes promotion, Mr. Stewart pointed out that the greatest rate of growth was between the end of 1945 and 1957, when cooperation in all the fields of cooperation was greatest and most effective. The discussion continued with a listing of a few factors which are important to promotional activities:

1. Product Categories: (a) Consumer products, and (b) products for remanufacture. Promotional methods differ for each.
2. Product Identification: Extremely important for consumer items if promotion is to be successful.
3. Objective: An industry must decide that if the foreign market is important, it can and will supply it regularly with quality. In addition to these prerequisites, product identification is required for consumer products.
4. Goals: A promotion goal is mandatory, and preferably quantitative. Do not expect too much too soon. Test marketing is the answer to the right course of action. One technique may work in one market but not in others. Also, successful domestic promotions are no assurance of success abroad.
5. Cooperators: Associations are limited since they do not market, nor make marketing decisions. This limits the effectiveness of operations, particularly on consumer items.
6. Fragmentation: Maximum impact from available funds and lowest administrative costs is desirable. Products merchandised alike can make the best use of resources and have more impact on the market if activities can be pooled.
7. Funding: The FAS objective is at least 50-50 with ultimate government withdrawal anticipated. Government funds should be used to the extent possible for contractual items and activities, and industry funds for expenditures requiring judgment, i.e. travel, entertainment, office operations, salaries, etc.
8. Measuring Results: There are several methods: Comparative market gains, market shares, etc. Factual measurable results, such as volume gained or market share increases, should be stressed rather than impressions that the project is "worthwhile."

In the question and answer period that followed, there were discussed: The fruit and vegetable cooperators currently active; the outlook for frozen fruits and vegetables; the availability of statistical information; trade barriers and tariffs; and air freight and containerized shipments.

COMMODITY SESSION - DAIRY AND POULTRY

Shell eggs at the present time have little export market. Egg solids appear to have greater potential. Frozen poultry meat is a principal item of export with 280 million pounds going to 80 different countries.

1962 witnessed a reversal in poultry exporting by the U. S. into the common market when the new poultry policy of the European Economic Cooperation was established with an excessive duty on the whole bird. Whole turkey, turkey parts and chicken parts have since that time recovered much of this market.

FAS officials of the Dairy and Poultry Division emphasized the need for development of new items with extra effort made to establish a market for these new items overseas. A significant market has now developed in Japan and Hong Kong. Eighty percent of the shipment to these markets are poultry parts. A sophisticated egg industry is developing in Japan. Also developing is a poultry meat industry.

Exporting turkey products appears to be bright with turkey parts moving well in the supermarkets in Western Germany where they are now being promoted widely on a year round basis. They are presently in introductory stages in Japan where the recent import duty has been raised from 10 to 20 percent on turkey and poultry products. It was emphasized that an effort is now being made by government officials as well as industry representatives to pull turkey out of this excessive duty. It was mentioned in Italy turkey breasts are replacing veal.

The dairy exporting situation is considered confused at the present time because of the domestic economy. Most nonfat dry milk is still distributed into the donation programs. In the past the dairy export program has been focused on the large inventories of U. S. products, namely butter, cheese and powder. These have moved into world markets at CCC prices.

It was mentioned that D.S.I. has established regional offices in Beirut, Lebanon and in Santiago, Chile. These offices are now on a standby basis with little action due to the present dairy situation. In fact it was mentioned that the entire market development effort in the dairy field is now considered to be a "holding action situation."

FAS officials urge State representatives to look into the commercial exporting of nonsubsidized dairy products including specialty cheese products, infant and dietetic foods, sterilized whole milk, etc. It was reported that this latter product is selling in Japan especially when the quality is unusually good.

In discussing the role of the FAS cooperators such as D.S.I., it was emphasized that they are in a position to provide marketing service to new products especially in promotion work on an institutional basis without mention of brand name. It was indicated, however, that they can concentrate on new or unique special products in an effort to achieve consumer acceptance. Cooperators can provide store demonstrators and participate in market promotions and Trade Center promotions.

In discussing other foreign opportunities, it was mentioned that there are real "pockets of opportunity" existing in the Caribbean because of the rapidly developing tourist business. Such islands as Bermuda and the Bahamas may be serviced with perishable dairy products by air freight from U.S. ports. It was emphasized that unfortunately one of the common complaints coming from these Caribbean Islands is that "no one wants our orders." State officials were urged to work with industry representatives to consider establishing regular markets in these areas where there are no discriminatory duties and where the market potential is developing rapidly.

In conclusion, FAS officials assured the State representatives of their interest in cooperating in the poultry and dairy commodity fields.

COMMODITY SESSION - LIVESTOCK AND MEAT PRODUCTS

Ivan Johnson, Acting Director of the Foreign Marketing Branch, described the work of the branch. He then discussed the importance of the exports of livestock and livestock products. He explained the activities of the two overseas offices of the National Renderers Association including the territories covered by each. He then discussed the global livestock project and the flexibility and uses of this project including the supplying of judges, marketing teams, making films, bringing purchase missions to the United States, preparing brochures and other related matters. Mr. Johnson pointed out some of the problems encountered in exports of livestock and livestock products.

Fred Lege then discussed the exports of livestock explaining to the visitors that it was necessary for them to go out and get the business instead of having the buyers come to them if they were interested in getting into the export field. He cited the fine work of the Virginia Department of Agriculture, Division of Markets and the cooperative attitude which prevailed in that organization.

The meeting was then thrown open to general discussion and a fine response was received including questions regarding the importation of feeder cattle and beef for manufacturing purposes. Numerous questions were asked in regard to the exports of the livestock products and, surprisingly enough, many more questions were directed to this area than to actual live animals.

Claude Dobbins explained the availability or lack of transportation for hauling live animals to these foreign markets. He urged closer working relations between States to complement each other in the export field not only for live animal sources but also for livestock products. He cited the cooperation which has existed between Florida, Oklahoma, Wisconsin, and the State of Virginia in dealing with export problems. He briefly explained the potential overseas market

for live cattle. There was an enthusiastic exchange of questions and answers throughout the meeting and the discussion was still going steady at the end of the allotted time when the meeting was adjourned.

COMMODITY SESSION - GRAINS

Wheat.-- The United States is the largest exporter of wheat in the world. Exports of wheat and wheat flour reached 869 million bushels in the fiscal year ending June 30, 1966. Thirty percent of this total was for cash and the balance under P.L. 480 programs. About three out of five acres planted to wheat enter export channels. The Pacific Northwest depends much more heavily on exports, about 80 percent of the crop moving into export. The monetary value of wheat exports was 1.4 billion dollars in fiscal 1966. Wheat exports have exceeded all domestic needs for food, feed, and seed for the past 6 years.

The major problems in expanding export sales of U.S. wheat are rooted within the States. States could: (1) Assist in readjustment of inland transportation rates to move mid-western hard wheats into export position at all **coasts** of export at prices competitive with world markets; (2) improve the uniformity and market quality of export wheat; (3) assist in educational programs aimed at impressing producers and grain merchants of the importance of catering to export markets (64 percent of all wheat sold in 1965-66 was exported); (4) give financial and moral support to State crop improvement programs, emphasizing the need to consider quality preferences of export markets; and (5) cooperate with existing regional associations of producers in export promotion in wheat.

Foreign market development activities are carried on by private traders, producers' associations, and by the Foreign Agricultural Service. Nine States are represented in the two major producer organizations--Great Plains Wheat and Western Wheat Associates. These two organizations cooperate with the Foreign Agricultural Service under a contractual arrangement whereby FAS makes monies available to them for market development work abroad. The monies are generated by sale of surplus agricultural commodities under P.L. 480. The cooperating associations provide a significant amount of their total budgets from their own funds. Foreign offices are operated by them in Tokyo, Manila, New Delhi, Taipei, Rotterdam, and Caracas. Both have offices in Washington, D.C. to coordinate foreign programs with the Foreign Agricultural Service.

All classes of wheat are exported. Japan, the number one dollar market, imports white, hard red winter, hard red spring, and durum classes. The last three classes were introduced into the Japanese market during the past 6 years jointly by FAS and the cooperating Wheat Associates, Inc., representing U.S. wheat producers of the Pacific Northwest and Great Plains areas.

Competition for U.S. wheat in foreign markets comes from Canada, Argentina, Australia, and France. At times, Russia has been a major competitor in European markets. The quality reputation of U.S. hard winter wheat in general is much better now than several years ago. All U.S. wheat is cleaner than it was 3 or more years ago. Contributing factors to this improvement have been the revision of the grading standards for wheat and the disappearance of old carryover stocks. Export quality is now much closer to "farm run" quality than before.

State Departments of Agriculture can assist materially in promoting wheat exports by uniting their resources with existing regional market development associations in cooperative programs with the Foreign Agricultural Service, USDA.

Feed Grains.--Exports of U.S. feed grains (corn, grain sorghum, barley, and oats) have been increasing rapidly over the past decade, new record highs being set nearly every year. During the year ending June 30, 1966, the United States exported 25.9 million metric tons of feed grains and milled products worth about \$1.4 billion. This new record was a 43 percent increase over the previous year. Over 90 percent of these exports were commercial sales for dollars. Corn was the largest in volume, accounting for 68 percent of the total, and grain sorghums were next in importance. Exports of the latter totaled 6.2 million metric tons, more than double those of a year earlier. Barley exports increased 28 percent to 1.7 million metric tons. Very large exports of oats to the European Common Market resulted in total exports of over one-half million tons in 1965-66 with 69,000 tons a year earlier.

Major markets for feed grains are Japan, which bought 19 percent of the total sold for dollars, and Western Europe including the United Kingdom. While most of the feed grains are fed to poultry, swine, and cattle to produce meat, upwards of 10 percent of corn exported is processed into starch or used for other industrial uses. Part of the significant increase in grain sorghum exports in 1965-66 was due to food use of this grain under U.S. Government-financed exports to India as a substitute for wheat.

The United States is the leading exporter of feed grains in world trade. As such, it dominates the market and the U.S. price usually becomes the world price. Import levies and duties, however, are imposed on about two-thirds of all U.S. exports of feed grains, increasing their cost to the feeder or industrial user abroad by widely varying products. The variable import levy scheme in the European Common Market, for example, increased the price of imported corn by the following percentages: West Germany, 62.8 percent; France, 50.8 percent; Italy, 2.4 percent; Belgium, 24.5 percent; Netherlands, 38.7 percent; and Luxembourg, 24.5 percent.

The rapid expansion of U.S. feed grain exports indicates this country has been in a good supply and production position to respond to the increasing world demand for animal protein. The Foreign Agricultural Service, USDA, has stimulated this demand by partially financing promotional programs in all major feed grain markets. These programs are designed and executed by the U.S. Feed Grains Council, a nonprofit association of producers, exporters, hybrid seed associations, feed compounders, feed supplement suppliers, and dehydrated alfalfa processors. Feeding demonstrations intended to encourage intensive use of high-energy grains in animal feeding play a big role in the Council's feed grain market development program.

Foreign offices of the U.S. Feed Grains Council are located in London, Rotterdam, Madrid, Hamburg, Rome, Athens, and Tokyo. Headquarter's offices are in Washington, D.C. The Council does not enter into actual trade, but sales are handled entirely by private export firms in the United States.

One of the most serious problems in the export of feed grains has been the arrival condition of corn. A combination of factors including corn moisture content, uniformity (or lack of it) of moisture, grain temperature, atmospheric temperature, aeration (or lack) in the ocean vessel, length of time in vessel before discharge, plus unknown factors at times cause corn to heat and turn sour before delivery to the final consignee. The Foreign Agricultural Service, the U.S. Feed Grains Council, the Grain Division, Inspection Branch of the Consumer and Marketing Service, plus private traders have tried for years to solve this problem. It has not been solved, although progress has been made and the problem is not as serious as it was several years ago. The buyer usually takes the risk of the arrival condition, calculating this in the price he is willing to pay. State Departments of Agriculture would be performing a valuable service by directing research within their States to this problem.

Feed grains are grown in most States. Except for the New England States, West Virginia and Nevada, all States had a share in the export of feed grains. Illinois, the leading State, supplied \$280 million worth of feed grains to the export market in 1965-66. The future is bright for increased exports of feed grains from the United States. A continuing increase in the world demand for animal protein is coupled to the excellent reserve productive capacity of U.S. agriculture. The result augurs well for those States whose feed grains production exceeds domestic requirements.

Rice.--Importance of exports for rice: The United States is the second largest exporter of rice in the world. About 7 million metric tons of rice enter the export market per year. Thailand exports on the average of 1.8 million metric tons, and the United States exports 1.5 million metric tons. The export market value of U.S. rice exports in the 1965-66 marketing year was \$222 million. Actually, the value of U.S. exports of rice was greater than the value of the 1.8 million exported by Thailand because of the superior quality of U.S. rice which demands a premium price in the world dollar markets. In addition, approximately 50 percent of U.S. rice production each year enters the export market.

Problems in exporting rice: At the present time there appear to be no real problems in exporting U.S. rice. World demand is good; U.S. quality has been maintained; and there is a good working relationship between producers, millers, and exporters.

Market development programs now being carried on: The Rice Council for Market Development, in cooperation with the Foreign Agricultural Service, maintains overseas offices for rice promotion activities in Zurich, Switzerland; Pretoria, South Africa; London, England; Brussels, Belgium; and Frankfurt, Germany. The activities in these offices are now being channeled more and more into direct consumer advertising, whereas in the past they have concentrated more on the demonstration technique.

Contributions States can make: The rice producing States, through their Land Grant Colleges, should continue the excellent work they have been doing through their experiment stations such as the ones in Beaumont, Texas; Crowley, Louisiana; and California. The activities of these State-sponsored experiment stations in plant breeding, fertilization, and the use of pesticides has aided the farmer in increasing yields and maintaining high quality production.

Information flow on market development and trade opportunities from FAS:
The Rice Council for Market Development makes known all trade opportunities through their Houston headquarters and the Rice Millers' Association in Washington, D.C.

Peas, Beans, and Lentils.--In recent years, the United States has become the world's largest exporter of dry beans, more recently of dry peas, and still more recently one of the largest exporters of lentils. These three crops represent, in the United States, more than 200 million dollars annually. Fifteen percent of the beans, 40 percent of the peas, and more than half of the lentils are exported, valued at 50 to 60 million dollars.

The major export is white beans, green peas, and lentils to Western Europe; yellow peas and colored beans to Latin America; and small quantities of all three commodities to many countries around the world. Japan and Australia especially are steadily becoming larger markets--Australia for navy beans and Japan for low-quality, low-cost surpluses.

The principal problems in export recently have been surpluses of peas and lentils together with depressed prices. For these commodities there is no price support. Government purchases of peas and lentils temporarily relieved the surplus situation in these commodities. Beans also have been in surplus, but a poor harvest last year resulted in short supply and higher prices. Government purchase for civilian relief and some movement under P.L. 480 in recent years have helped to keep bean stocks at reasonable levels. Some fear of surplus beans, green peas, and lentils in 1966-67 is developing. They should not be of serious proportions, however.

A few years ago, considerable complaints were received from foreign importers over weevily peas and unsatisfactory quality of beans. A change in pea standards plus propaganda related to weevily peas have reduced these complaints to almost nil. Efforts in the trade to improve the quality of beans exported has had salutary effect.

One troublesome problem has arisen recently in the export of Michigan navy beans. Complaints have come from England, France, and Australia of an odor developing in beans after canning. A chemical is suspected. Whether a chemical is involved (and if it is), whether it results from contamination on the farm (fertilizer, sprays, etc.), or whether it occurs in shipping, needs to be determined.

Teams of American exporters have been taken abroad under programs of P.L. 480, and a team of European importers has been brought to the United States. There is also considerable international travel by traders on their own initiative in recent years. These personal contacts together with increased publications of world-wide statistical information on world production and international trade in beans, peas, and lentils have greatly increased knowledge and understanding among international traders. Trade has expanded rapidly.

There is a need to improve the size and color of U.S. lentils; to eliminate cracked seed coats from canning-type beans; to determine whether the use of fertilizer on farms or the exposure of beans to chemicals during shipment is

the cause of off flavors in beans when canned. Improving the canning quality of both beans and peas should be a continuing effort.

Markets for beans, peas and lentils should be expanded. At this time there are three industry groups cooperating with FAS under the P.L. 480 market development program. These are the Michigan Bean Dealers, representing navy beans; the Pacific Northwest Pea and Lentil Growers and Dealers, representing peas and lentils; and the New York State Bean Dealers, representing red kidney beans.

Importers, processors, and canners abroad are not as specialized by commodity as U.S. exporters are. Most Europeans handle all pulse commodities in one firm. The time may be coming when the U.S. industry may have to consider uniting in a common effort for the purpose of promoting export markets for beans, peas, and lentils together.

The flow of information from FAS to the trade is by printed material, letters in response to specific questions, telephone conversations, and personal contacts, etc. The printed material consists of summaries of world production, international trade, special articles on numerous individual competitive situations, marketing opportunities, and on other information pertaining to individual countries and specific crops.

Seeds.--U.S. exports of seeds totaled 177.5 million pounds, valued at 33 million dollars, last year (July 1965-June 1966). Of those seeds of which both production and trade data are available, the production of about 12 acres out of each 100 was exported. Exports, as a percentage of production, ranged from a low of 4 percent for Kentucky Bluegrass, to a high of 77.1 percent for Bentgrass seed. 68.1 percent of the production of Ladino Clover seed was exported as was 12.8 of alfalfa and 21.8 percent of Timothy.

Exports of seeds are a much more important factor in the domestic market than may be indicated by the export value. Movement of a comparatively small quantity of seed stocks into export channels can have a favorable effect on domestic prices.

Foreign buyers are demanding: (1) Adapted varieties (U.S. or foreign origin); (2) high quality (purity, germination, freedom from weeds, and diseases); and (3) certification in many cases.

The American Seed Trade Association, in cooperation with FAS, is conducting a market development program for seeds. Emphasis to date has included: Europe: Promotion of the establishment and maintenance of cooperation between European seedsmen and government officials to eliminate laws and regulations which hinder free trade in seeds. Restrictive lists of varieties, quarantine standards, and unreasonable certification requirements can be effective trade barriers. ASTA and FAS have participated in numerous trade shows and international seed meetings.

Japan: A seed show and seminar was held at the U.S. Trade Center in August of 1965. A team of Japanese will be brought to the United States to observe production and handling of seeds. Plant quarantine requirements have been considered with Japanese and American plant quarantine agencies to seek reduction of Japanese requirements which needlessly hinder importation of U.S. seeds.

Mexico and South America: A program involving exchange of teams, seminars, and exhibits and other promotion is being developed. General: Literature and promotional material is being developed. Leadership of ASTA in the International Seed Federation is resulting in increased emphasis on trade by foreign seed associations and is maintaining and increasing U.S. seed exports.

State seed organizations can actively participate in planning and carrying out seed market development under the ASTA/FAS project. This project represents the entire U.S. seed industry and ASTA welcomes participation of all interested segments of the industry. State commissions or organizations can have membership in the seed association and propose market development plans as participating members or through member seed firms.

Opportunity for market development and trade opportunities observed or received by FAS are referred to the Association for its membership. Market information is published by FAS or referred directly to the trade association.

